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

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

Report No. 20-03
February 2020



OFFICE OF THE AUDITOR
STATE OF HAWAII



OFFICE OF THE AUDITOR STATE OF HAWAII

Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

Our Mission

To improve government through independent and objective analyses.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the Governor and the Legislature to help them make informed decisions.

For more information on the Office of the Auditor, visit our website:
<http://auditor.hawaii.gov>

Foreword

This is a report of our review of the special funds, revolving funds, trust funds, and trust accounts administered by the University of Hawai'i.

Section 23-12, Hawai'i Revised Statutes, requires the Auditor to review all existing special, revolving, and trust funds once every five years. Although not mandated by statute, we included trust accounts as part of our review. This is our sixth review of the University of Hawai'i's revolving funds, trust funds, and trust accounts, and our second review of its special funds.

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

Leslie H. Kondo
State Auditor



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Chapter 1

Introduction

This review encompasses the special funds, revolving funds, trust funds, and trust accounts administered by the University of Hawai‘i (UH). Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review each state department’s special, revolving, and trust funds every five years. Specifically, the Auditor’s review 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 balance for each fiscal year.

This is our sixth review of UH’s revolving funds, trust funds, and trust accounts.¹ It is our second review of UH’s special funds, since Act 130, Session Laws of Hawai‘i (SLH) 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds. Although not mandated by Section 23-12, HRS, we have included trust accounts as part of our review. Trust accounts, like special, revolving, and trust funds, are funded outside of the general fund appropriation process and are therefore generally subject to less legislative scrutiny than the State’s general fund. We last examined these funds and accounts in 2014.

¹ Prior to 2013, Section 23-12, HRS, did not require reviews of departments’ special funds.

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’s Accounting Manual, special funds are funds used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes.

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.” 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.

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 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 (DAGS) 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, 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: (a) the purpose of the program to be supported by the fund; (b) the scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and (c) 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 that is 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 must be established by statute. The criteria used to review trust funds and trust accounts are the extent to which each fund and account:

- Continues to serve the purpose and intent for which it was originally created, and
- Meets the definition of a trust fund or trust account, respectively.

The first criterion is derived from the objectives of Section 23-12, HRS, which requires the Auditor to evaluate the original intent of each fund and the degree to which each fund achieves its stated purpose. The second criterion assesses whether a fund is held by the State only for the benefit of those with a vested interest in the assets or an account is held as a separate or clearing account.

Objectives of the Review

1. Identify and review all special funds, revolving funds, trust funds, and trust accounts of UH.
2. For each special fund, revolving fund, trust fund, and trust account, determine whether the fund or account meets the respective criteria.
3. Provide a five-year (FY2015 – FY2019) unaudited financial summary for each fund and account of UH.

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by UH during the five-year period under review (FY2015 – FY2019). Funds and accounts included those established by statute as well as by administrative authority.

To identify funds subject to this review, we used a variety of sources, including our prior reviews, accounting reports from DAGS, non-general fund reports, legislative budget briefing documents, and other records. To gain an understanding of fund operations, we reviewed applicable agency administrative rules and 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, 2014 to June 30, 2019), including beginning fund balances, total revenues, amount of interest earned, total expenditures, transfers, and ending fund balances for each fiscal year. We requested explanations for discrepancies

between ending balances for FY2014 reported in our last review and opening balances reported for FY2015. We did not audit UH's financial data, which is provided for informational purposes only.

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 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 No. 14-18, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i*.

Our review was conducted from October 2019 to January 2020. Recommendations were made where applicable.

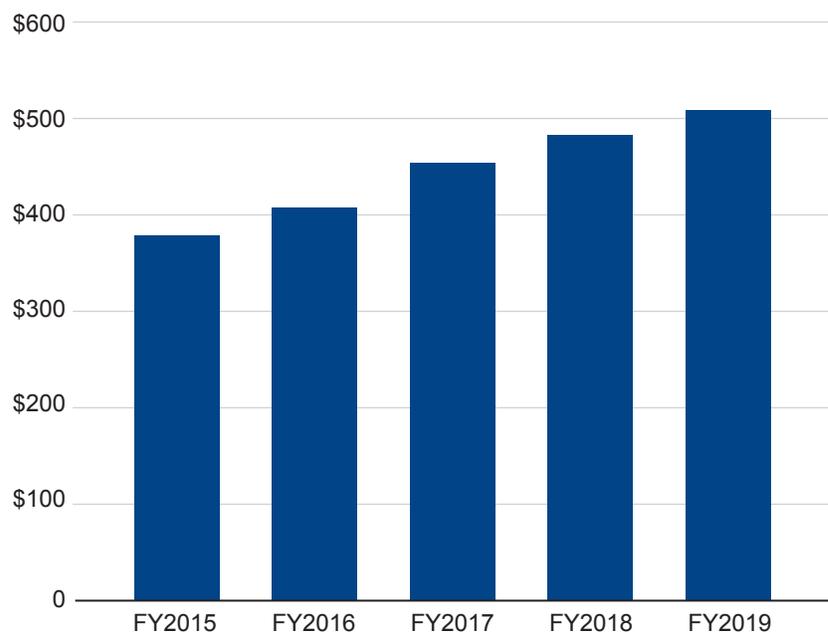
Chapter 2

University of Hawai‘i

This section presents the results of our review of 32 special funds, 23 revolving funds, 13 trust funds, and 2 trust accounts. Total fund fiscal year-end balances amounted to at least \$380 million per year during the period reviewed.

Exhibit 2.1 summarizes the totals for these fund balances at the end of each fiscal year.

Exhibit 2.1
Cash Balances for UH Non-General Funds
FY2015 – FY2019 (in millions)



Source: Office of the Auditor

Substantial amounts were also collected and expended by the funds annually. In FY2019, the special funds, revolving funds, trust funds, and trust accounts collected approximately \$698 million and spent or transferred more than \$700 million.

Exhibit 2.2 presents totals for the combined revenue and interest, expenses, transfers, and ending fund balances for the different fund types for FY2019.

Exhibit 2.2 UH Fund and Account Totals by Type, FY2019

Fund Type	Revenue and Interest	Expenses	Transfers	FY2019 End Cash Balance
Special Funds	\$479,401,000	\$428,431,000	(\$19,300,000)	\$334,946,000
Revolving Funds	83,428,000	128,469,000	34,212,000	65,526,000
Trust Funds/ Trust Accounts	135,826,000	131,819,000	264,000	108,614,000
Total	\$698,655,000	\$688,719,000	\$15,176,000	\$509,086,000

Source: Office of the Auditor

For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use and whether it meets the definition of a special fund, revolving fund, trust fund, or trust account. This review does not include an assessment of the effectiveness of the program or its management. Funds and accounts are presented in alphabetical order.

Kuali Financial System

In 2012, UH implemented the Kuali Financial System (KFS) as its systemwide financial management system. KFS is a modular financial accounting system that records and manages all of UH's financial transactions and fiscal activity on an accrual basis and was designed to meet the specific needs of higher education. UH reported that KFS currently records financial activity for over 20,000 active accounts and facilitates reporting to various program stakeholders. UH explained that because its reporting needs are more "granular" than what DAGS' Financial Accounting and Management Information System (FAMIS) reporting functions can provide, KFS is UH's primary financial management system. And, as a result, FAMIS financial data related to UH's funds is not current until UH performs quarterly reconciliation of its FAMIS/KFS balances by recording activity into FAMIS via state journal vouchers.

We also found that some of UH's special funds, revolving funds, trust funds, and trust accounts are only recorded in FAMIS as parts of larger "rolled-up" accounts. For example, UH's Research and Training Revolving Fund is used to finance travel grants for faculty and staff, emerging programs, and other operational expenses which enhance and facilitate research and training at UH. UH reported that this fund is made up of multiple accounts

corresponding to UH's campuses, each of which has its own appropriation account number in FAMIS. In other words, there is no single FAMIS appropriation account that contains the complete financial data for the Research and Training Revolving Fund. This is true for all other UH special funds, revolving funds, trust funds, and trusts accounts that have financial data spread across multiple accounts.

As a result, we relied primarily on the financial data reported in UH's responses to our questionnaires for each special fund, revolving fund, trust fund, and trust account. UH converted KFS accrual basis figures to cash basis by reporting receivable and other asset balances as negative revenue and reporting payable and other liability balances as negative expenses. We note that certain funds' financial data indicates negative cash balances and/or encumbrances that exceed the fiscal year's ending cash balance. UH explained that expenditures can exceed current cash balances on a "temporary basis" so long as sufficient balances exist to accommodate these expenditures and the expenditures do not exceed the appropriation limit within a given Program ID and fund type (e.g., special, revolving, etc.). UH added that, generally, negative balances are discouraged and plans to eliminate negative balances are being implemented.

Exhibit 2.3 presents UH's funds that did not meet criteria for continuance and should be closed or reclassified.

**Exhibit 2.3
UH Funds Not Meeting Criteria**

Fund Name	Fund Type	FY2019 Ending Balance (rounded)	No longer serves original purpose and/or does not serve a need	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Inappropriate financing mechanism	Not financially self-sustaining	Does not meet special fund, revolving fund, trust fund, or trust account definition
Community Colleges Special Fund	Special Fund	\$20,922,000					✓
Conference Center Revolving Fund – University of Hawai'i at Hilo	Revolving Fund	0	✓				
Professional Student Exchange Program Revolving Fund	Revolving Fund	0	✓				
University of Hawai'i at Mānoa Intercollegiate Athletics Special Fund	Special Fund	(\$27,202,000)				✓	
University of Hawai'i Community Services Special Fund	Special Fund	(\$3,793,000)				✓	✓
University System Bond and Interest Sinking Fund	Revolving Fund	\$11,170,000					✓

Source: Office of the Auditor

**Agency Fund
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	(\$507)*	(\$1,652)	(\$ 3,212)	(\$2,702)	(\$2,238)
Revenues**	(1,821)	(1,238)	2,080	(720)	(868)
Interest	0	0	0	0	0
Expenditures***	676	(322)	(1,570)	1,184	(237)
Transfers	0	0	0	0	0
Ending Balance****	(\$1,652)	(\$3,212)	(\$2,702)	(\$2,238)	(\$3,343)
Encumbrances	\$9	\$9	\$9	\$9	\$9

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 because not all accounts were reported in FY2014.

**Negative revenues are the result of change from accrual to cash basis accounting. According to UH, revenue is a netting of actual revenues, current year accounts receivable, fund balance, loan payments, and others.

***According to UH, positive expenditures in FY2015 and FY2018 are the result of netting of actual expenditures, accounts payable, and loan advances.

****UH reported that the fund's negative balance is due to returned financial aid to the federal government.

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established. Administratively established in 1985, the account is used as a temporary holding account for cash deposits for items such as equipment, musical instruments, library carrels and lockers, faculty housing, and long-distance telephone service. UH acts as the custodian for these funds, repaying the deposits or applying balances as appropriate.

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

**Section 304A-2177,
HRS**

Financial Data for Fiscal Years 2015 – 2016 (in thousands)

	FY2015	FY2016
Beginning Balance	(\$7)	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers*	7	0
Ending Balance	\$0	\$0
Encumbrances	\$2	\$0

*Transfers were made to cover the fund's negative beginning balance and close out the fund.

In 2015, the Legislature passed Act 106, SLH 2015, which repealed the statute that authorized the creation of this fund. The department subsequently closed this fund in FY2016. Statutorily created in 1974, the fund was used to account for revenues from the sale of livestock raised on the Waiale'e Livestock Experiment Station and to account for expenditures required to maintain the station, conduct research experiments, and purchase livestock. Revenues were from the sale of livestock and by-products from research and demonstration projects conducted at the station. Expenditures included costs incurred by the farm, including labor, materials, supplies, and equipment necessary to maintain the facility and to ensure continued use for research and instruction purposes.

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

**Section 304A-2268,
HRS**

Financial Data for Fiscal Years 2015 – 2017 (in thousands)

	FY2015	FY2016	FY2017
Beginning Balance	\$41	\$0	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	(41)	0	0
Transfers	0	0	0
Ending Balance	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0

This fund was closed in FY2017 after the statute establishing this fund was repealed pursuant to Act 106, SLH 2015. Statutorily established in 1974, the fund was used to account for receipts and disbursement for services, supplies, and use of equipment provided for vocational and technical training projects at the community colleges and the University of Hawai'i at Hilo (UH-Hilo). This fund supported UH-Hilo's College of Agriculture, Forestry and Natural Resource Management's hands-on teaching program and the College of Business and Economics' student-assisted management instructional and counseling services to local small businesses. Revenues were from the sale of agriculture commodities produced on the farm and fees earned from counseling clients. Expenditures included materials and supplies for projects, replacement and repair of tools and equipment, and administrative costs.

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

**Section 304A-2267,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$2*	\$4	\$7	\$11	\$10
Revenues	7	8	11	6	6
Interest	0	0	0	0	0
Expenditures	(6)	(5)	(7)	(7)	(7)
Transfers**	1	0	0	0	0
Ending Balance	\$4	\$7	\$11	\$10	\$9
Encumbrances	\$2	\$2	\$3	\$2	\$0

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

**Transfers were to consolidate the Center for Labor Education and Research accounts held at University of Hawai'i-West O'ahu (UH-West O'ahu).

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1976, the fund is used to account for fees charged to students and labor organizations for conducting classes, courses, workshops, seminars, and research projects. Revenues are from fees charged to students and labor organizations for conducting classes, courses, workshops, seminars, and research projects, as well as fees for educational materials. As reported by UH, expenditures include costs to provide labor-related instructional programs, preparing and disseminating educational publications, developing and conducting labor studies courses, and minimal operational costs.

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

**Section 304A-2163,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$867*	\$673	\$1,286	\$878	\$1,380
Revenues	0	0	0	0	0
Interest	1	3	3	10	14
Expenditures	(329)	(415)	(535)	(562)	(785)
Transfers**	134	1,025	124	1,054	238
Ending Balance	\$673	\$1,286	\$878	\$1,380	\$847
Encumbrances	\$22	\$20	\$5	\$36	\$0

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

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

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

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

**Section 304A-2173,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$103	\$159	\$373	\$391	\$403
Revenues	1,193	1,120	1,035	1,107	1,198
Interest	0	0	1	3	5
Expenditures	(1,137)	(906)	(1,018)	(1,098)	(1,208)
Transfers*	0	0	0	0	4
Ending Balance	\$159	\$373	\$391	\$403	\$402
Encumbrances	\$16	\$33	\$35	\$11	\$197

*Transfers were reimbursements of tuition funds used to pay for student payroll for the Student Success Program.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1986, the fund is used to account for the revenues and expenditures of operating campus child care programs and constructing and renovating child care centers. Revenues are from fees for services, application and comprehensive fees, and meal reimbursements from the U.S. Department of Agriculture. The fund is also allowed to receive proceeds from donations and loans or other instruments of indebtedness for the construction or renovation of child care centers. Expenditures include costs for teachers and administrative personnel, meals, educational materials, classroom furniture, office supplies and other operating costs, use of cargo van for deliveries, playground equipment upkeep, and user fees for three off-campus classrooms.

In Report No. 14-18, we reported that this fund met the criteria of a special fund, but noted that the program this fund supports also received general fund appropriations. We reported that UH records general fund appropriations and related expenditures in program/department general fund accounts, does not commingle the general fund moneys with fund moneys, and reports to the State separately from its special or revolving funds.

During FY2015-FY2019, this fund continued to receive general fund support to pay for the salaries of teaching staff and the program director:

FY2015 - \$502,667
FY2016 - \$736,681
FY2017 - \$758,799
FY2018 - \$798,609
FY2019 - \$890,336

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

**Section 304A-2273,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$860	\$901	\$683	\$707	\$741
Revenues	618	584	283	317	392
Interest	1	2	1	5	9
Expenditures	(578)	(600)	(275)	(288)	(386)
Transfers*	0	(204)	15	0	(5)
Ending Balance	\$901	\$683	\$707	\$741	\$751
Encumbrances	\$31	\$38	\$41	\$43	\$56

*Transfers to the Community College Special Fund for campus administrative costs in FY2016-FY2019, and from the Community College Special Fund for outstanding conference expenses and the International Honda Center account in FY2017.

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

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

**Section 304A-2162,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$25,753*	\$27,946	\$19,884	\$21,387	\$22,049
Revenues	18,290	17,303	18,584	18,246	17,251
Interest	39	51	46	118	273
Expenditures	(17,104)	(15,544)	(15,995)	(16,946)	(17,915)
Transfers**	968	(9,872)	(1,132)	(756)	(736)
Ending Balance	\$27,946	\$19,884	\$21,387	\$22,049	\$20,922
Encumbrances	\$2,679	\$1,723	\$1,557	\$1,877	\$1,904

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 because of \$9,875 erroneous deposit in FY2014 which was corrected in FY2015.

**Net transfers to and from the University of Hawai'i Tuition and Fees Special Fund, Conference Center Revolving Fund, and Commercial Enterprises Revolving Fund; and transfers to the University of Hawai'i Community Services Special Fund and University Revenue-Undertakings Fund.

This fund continues to serve the purpose for which it was originally established, but it functions as, and meets the criteria for, a revolving fund because this fund pays the cost of various community college programs and activities and is replenished through fees charged for those same programs and activities. We reached the same conclusion in our 2014 fund review. We continue to believe the fund should be reclassified as a revolving fund.

Statutorily established in 1975, the fund is used to receive, disburse, and account for all revenues and expenses associated with conducting various community college programs and activities. Revenues are from fees for non-credit continuing education programs, cultural enrichment programs, summer sessions, facilities use, transcript and diploma services, library fines, and auxiliary enterprises. Expenditures include costs associated with conducting the programs and activities mentioned above.

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

**Section 304A-2272,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
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 criteria of a revolving fund because it has been inactive since FY2015 and no longer serves the purpose for which it was created. The fund should be repealed.

Since 2001, we have reported that this fund experienced either minimal or no activity and did not appear to be serving the purpose for which it was originally created. In Report No. 14-18, we concluded that this fund did not serve its original purpose since there had been minimal activity during the FY2010-FY2014 review period and therefore should be repealed. The fund was created in 1993 to account for fees, charges, and other moneys collected by UH-Hilo for the Conference Center Program in the College of Continuing Education and Community Service. Funds were used for conferences, seminars, and courses conducted by the conference center program. We recommend, as we did in our 2014 funds review, that this fund be repealed.

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

**Section 304A-2174,
HRS**

Financial Data for Fiscal Years 2015 – 2016 (in thousands)

	FY2015	FY2016
Beginning Balance	\$755	\$0
Revenues	306	0
Interest	1	0
Expenditures	(655)	0
Transfers*	(407)	0
Ending Balance	\$0	\$0
Encumbrances	\$0	\$0

*This fund was closed in FY2015 and the remaining balance was transferred to the University of Hawai'i Commercial Enterprises Revolving Fund.

This fund was closed in FY2015 after the statute establishing this fund was repealed by Act 106, SLH 2015, and the remaining balance was transferred to the University of Hawai'i Commercial Enterprises Revolving Fund. Statutorily established in 1988, the fund was used to support the development of technologies that have potential commercial value, to support the administration of technology transfer activities at UH, and to facilitate economic development through education and research. Revenues were derived from royalty and copyright income and interest. Expenditures included salaries, office rent, legal services, and royalty payments.

**Endowment Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$72,134*	\$71,478	\$70,606	\$70,282	\$74,639
Revenues	2,006	2,209	2,138	6,401	6,310
Interest	30	24	22	30	224
Expenditures	(2,692)	(3,105)	(2,484)	(2,074)	(2,864)
Transfers	0	0	0	0	0
Ending Balance	\$71,478	\$70,606	\$70,282	\$74,639	\$78,309
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 because UH previously reported only a portion of the Endowment Fund. Per UH, the current financial data includes the complete Endowment Fund.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1925, the fund is used to support UH students through donor and Board of Regents specified scholarships, and currently supports 63 named endowments. Revenues are primarily from investment income; all new gifts are directed to the University of Hawai'i Foundation. Expenditures include Board of Regents and donor scholarships and investment management expenses.

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

**Section 304A-2169.1,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$398	\$1,629	\$3,847	\$4,932	\$6,415
Revenues	0	0	6	32	0
Interest	2	6	13	39	103
Expenditures	(822)	(572)	(1,470)	(1,166)	(736)
Transfers*	2,051	2,784	2,536	2,578	2,665
Ending Balance	\$1,629	\$3,847	\$4,932	\$6,415	\$8,447
Encumbrances	\$0	\$0	\$9	\$15	\$62

*Transfers from the Office of Budget and Finance for the purpose of depositing the department's portion of the monthly barrel tax collections.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2007 with a sunset date of June 30, 2012 (which was extended to June 30, 2013 pursuant to Act 151, SLH 2012) and later re-established and authorized by Act 107, SLH 2014, the fund is used to support the development of an integrated approach to, and portfolio management of, renewable energy and energy efficiency technology projects, to reduce Hawai'i's dependence on fossil fuel and imported oil, and to move the State toward energy self-sufficiency. Revenues are from a portion of the environmental response, energy, and food security tax on each barrel of petroleum sold by a distributor to any retail dealer and rebates from the Hawai'i Energy Efficiency Program for sustainability efforts such as light bulb replacement. Expenditures include matching funds for federal and private sources for research, development, and demonstration of renewable energy sources, contracts and grants, and managing projects commissioned under the fund.

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

**Section 304A-2168,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$20,782	\$29,363	\$20,688	\$20,087	\$19,787
Revenues	14,809	14,242	14,420	13,784	13,186
Interest	62	53	48	135	222
Expenditures	(15,703)	(11,994)	(7,195)	(6,350)	(6,283)
Transfers*	9,413	(10,976)	(7,874)	(7,869)	(7,863)
Ending Balance	\$29,363	\$20,688	\$20,087	\$19,787	\$19,049
Encumbrances	\$1,004	\$1,145	\$358	\$412	\$246

*Transfers to the University Revenue-Undertakings Fund for debt service payments and other expenses associated with revenue bonds and transfers to the Cigarette Tax Special Fund for reimbursement of construction costs.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2006, the fund is used to account for the revenues and expenditures of the Cancer Research Center's activities, operations, and capital expenditures. Revenues are from a portion of the excise tax imposed on each cigarette sold, used, or possessed by a wholesaler or a dealer in the State of Hawai'i. Expenditures include research and operating expenses and capital expenditures, debt service, and additional security on revenue bonds issued to finance the construction of a new cancer center building.

In Report No. 14-18, we reported that this fund met the criteria of a special fund, but noted that the program this fund supports also received general fund appropriations. We reported that UH records general fund appropriations and related expenditures in program/department general fund accounts, does not commingle the general fund moneys with fund moneys, and reports to the State separately from its special or revolving funds.

During FY2015-FY2019, this fund continued to receive general fund support to pay for personnel costs and other operating costs for the Cancer Research Center:

FY2015 - \$2,010,000
 FY2016 - \$2,366,000
 FY2017 - \$2,538,000
 FY2018 - \$2,606,000
 FY2019 - \$3,563,000

**Hawai'i Educator Loan
Program Revolving
Fund
(revolving fund)**

**Section 304A-2276,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)*					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$9	\$6	\$9	\$20	\$23
Revenues	1	7	11	3	3
Interest	0	0	0	0	0
Expenditures	(4)	(4)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$6	\$9	\$20	\$23	\$26
Encumbrances	\$0	\$0	\$0	\$0	\$0

*In 2015, the Legislature reclassified this fund from a special fund to a revolving fund. The financial data presented is a consolidation of the revolving fund's FY2016-FY2019 financial data and the special fund's FY2015 financial data.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 2001, the fund is used to provide financial support to students who complete a state-approved teacher education program and agree to teach in the Hawai'i public school system. Revenues are from loan principal repayments and interest charges. Expenditures include loans awarded to eligible students.

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

**Section 304A-2270,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$103	\$81	\$108	\$62	\$46
Revenues	77	92	100	89	175
Interest	0	0	0	0	2
Expenditures	(99)	(65)	(146)	(105)	(25)
Transfers	0	0	0	0	0
Ending Balance	\$81	\$108	\$62	\$46	\$198
Encumbrances	\$3	\$34	\$8	\$1	\$16

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was created. Statutorily established in 1997, the fund is used to support the Hawaiian Language College at UH-Hilo with the development and production of Hawaiian language materials and resources for educational purposes. Revenues are from the sale of Hawaiian language materials to students, teachers, and schools. Expenditures include salaries, materials, supplies, and printing costs.

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

***Administratively
established***

Financial Data for Fiscal Years 2015 – 2016 (in thousands)

	FY2015	FY2016
Beginning Balance	\$84	\$84
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	(84)
Ending Balance	\$84	\$0
Encumbrances	\$0	\$0

This fund was closed in 2016 and the remaining balance was transferred to the state general fund. Administratively established in 1993, the fund was used to account for Hurricane Iniki insurance proceeds and related expenditures. Revenues were from insurance proceeds. Expenditures included payments related to damage sustained from Hurricane Iniki.

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

**Section 304A-2171,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$338*	\$610	\$861	\$666	\$755
Revenues	516	488	48	335	214
Interest	0	0	0	(1)	11
Expenditures	(244)	(237)	(243)	(245)	(245)
Transfers	0	0	0	0	0
Ending Balance	\$610	\$861	\$666	\$755	\$735
Encumbrances	\$0	\$0	\$86	\$98	\$130

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2009, the fund is used to maintain accurate physician workforce information and provide or update personal and professional information to be maintained in a secured database. Revenues are derived from a \$60 special fee assessed to physicians renewing their licenses to work in Hawai'i and interest income. Expenditures include administrative staffing, contracted services, supplies, travel, and other planning activity costs.

**Library Special Fund
(special fund)****Section 304A-2155,
HRS****Financial Data for Fiscal Years 2015 – 2019 (in thousands)**

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$700	\$388	\$432	\$335	\$648
Revenues	532	687	433	472	322
Interest	1	1	1	2	9
Expenditures	(845)	(579)	(498)	(158)	(424)
Transfers*	0	(65)	(33)	(3)	(2)
Ending Balance	\$388	\$432	\$335	\$648	\$553
Encumbrances	\$92	\$80	\$71	\$73	\$9

*Net transfers from Auxiliary Enterprise Special Fund and to Community Service Special Fund for accounts that were closed, and to UH-West O'ahu for overhead costs.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1989, the fund is used for library operations at UH-Mānoa, UH-Hilo, and UH-West O'ahu. Moneys collected are from fines, fees, and other revenues. Expenditures include replacement of lost, damaged, or outdated books, serials and publications, and to improve services provided by the library.

**Mānoa Flood Trust
Fund – Oct 2004
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$4,729	\$4,707	\$4,306	\$4,217	\$4,188
Revenues	0	0	0	0	773
Interest	7	9	11	26	38
Expenditures	(29)	(410)	(100)	(55)	(3,265)
Transfers	0	0	0	0	0
Ending Balance	\$4,707	\$4,306	\$4,217	\$4,188	\$1,734
Encumbrances	\$479	\$221	\$284	\$3,736	\$566

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 2005, the fund is used to account for all expenditures and reimbursements related to the flood damage sustained by UH on October 30, 2004. Revenues are from county, state, and federal reimbursements and insurance proceeds. Expenditures include capital improvement projects and disaster related repairs.

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

**Section 304A-2170,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$176	\$326	\$289	\$83	\$67
Revenues	660	655	511	386	545
Interest	0	1	0	0	1
Expenditures	(510)	(693)	(717)	(402)	(540)
Transfers	0	0	0	0	0
Ending Balance	\$326	\$289	\$83	\$67	\$73
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2009, the fund is used to account for the revenues and expenditures relating to managing the Mauna Kea lands. Revenues are from lease rents, license and permit fees, other charges for the use of the Mauna Kea lands and related facilities and programs, and interest income. Expenditures include maintenance costs, administrative expenses, salaries and benefits, contractor services, ceded land payments to the Office of Hawaiian Affairs, expenses related to enforcement of administrative rules, and other operational costs.

**Professional Student
Exchange Program
Revolving Fund
(revolving fund)**

**Section 304A-2277,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)*					
	FY2015	FY2016	FY2017	FY2018	FY2019
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 2015, the Legislature reclassified this fund from a special fund to a revolving fund. According to UH, neither fund reported financial activity or maintained any cash balance from FY2015 to FY2019.

This fund does not meet the criteria of a revolving fund because it has been inactive since it was established and therefore does not serve the purpose for which it was created. The fund should be repealed.

In Report No. 14-18, we reported that this fund had no activity since it was statutorily established in 2012, and as a result, we could not determine from the limited financial data whether the fund was serving the purpose for which it was created. The fund was created to account for receipts and disbursements relating to financial support provided to participants of the professional student exchange program. Revenues were to come from repayments of principal and interest on financial support provided to program participants and interest income. Expenditures were to consist of costs associated with the program’s activities, including awarding financial support to students and enforcing the collection of delinquent obligations. Since that time, UH reported that this fund has not been utilized for any purpose, has not received any appropriations, and has not generated any revenue. We recommend that this fund be repealed.

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

**Section 304A-2253,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$21,898*	\$22,682	\$21,887	\$29,630	\$34,126
Revenues	52,020	50,710	58,166	54,905	42,786
Interest	0	0	0	0	0
Expenditures	(49,161)	(49,513)	(48,346)	(48,297)	(50,021)
Transfers**	(2,075)	(1,992)	(2,077)	(2,112)	(2,244)
Ending Balance	\$22,682	\$21,887	\$29,630	\$34,126	\$24,647
Encumbrances	\$3,979	\$4,023	\$5,286	\$3,377	\$3,906

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to adjustments made after the close of the fiscal year.

**Transfers to the University Revenue-Undertakings Fund for debt service payments and to the University Innovation and Commercialization Initiative Special Fund.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1974, the fund is used to finance activities such as cost sharing, research or training seed money, travel grants for faculty and staff, start-up requirements, emerging programs, equipment, and other operational expenses which enhance and facilitate research and training at UH. Revenues are from charges to federal and non-federal entities providing contracts and grants to UH for indirect overhead costs and costs incurred by UH that are not specifically attributable to a particular grant, contract, or cooperative agreement. Expenditures include research or training seed money, travel grants for faculty and staff, start-up requirements, emerging programs, equipment and other operational expenses.

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

**Section 304A-2263,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$15	\$9	\$17	\$14	\$4
Revenues	64	54	48	40	39
Interest	0	0	0	0	0
Expenditures	(70)	(46)	(51)	(50)	(27)
Transfers	0	0	0	0	0
Ending Balance	\$9	\$17	\$14	\$4	\$16
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1975, the fund is administered by UH's college of tropical agriculture and human resources and supports the cultivation and production of vegetable and garden seeds that are sold to farmers, homeowners, seed companies, and the general public. Revenues generated through the sale of seeds are used to cover the costs of labor, materials, supplies, and equipment necessary for cultivation and production of vegetable and garden seeds.

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

**Section 304A-2165,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$171	\$174	\$83	\$291	\$(38)
Revenues	2,579	2,606	2,877	2,735	2,850
Interest	0	0	0	1	(2)
Expenditures	(2,576)	(2,697)	(2,669)	(3,065)	(2,565)
Transfers	0	0	0	0	0
Ending Balance	\$174	\$83	\$291	(\$38)*	\$245
Encumbrances	\$36	\$81	\$129	\$90*	\$152

*When asked for an explanation for the fund's FY2018 negative balance and encumbrances, UH asserted that the Waikiki Aquarium has the statutory authority to use available proceeds in the University of Hawai'i Commercial Enterprises Revolving Fund to cover related Aquarium expenditures.

This fund continues to serve its original purpose and meets the criteria of a special fund. Statutorily established in 1991, the fund supports the Waikiki Aquarium's mission in educational outreach, research, and conservation of Pacific marine life. Revenues are from admission fees, grants, donations, facility rental, and educational classes. Expenditures include personnel costs, repairs and maintenance, animal acquisition and care, and utility costs.

In Report No. 14-18, we reported that this fund met the criteria of a special fund, but noted that the program this fund supports also received general fund appropriations. We reported that UH records general fund appropriations and related expenditures in program/department general fund accounts, does not commingle the general fund moneys with fund moneys, and reports to the State separately from its special or revolving funds.

During FY2015-FY2019, this fund continued to receive general fund support to pay for the salaries of permanent Aquarium staff:

FY2015 - \$601,500
 FY2016 - \$632,800
 FY2017 - \$677,600
 FY2018 - \$644,500
 FY2019 - \$662,200

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

**Section 304A-2160,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$592*	\$635	\$649	\$1,259	\$1,015
Revenues	666	680	667	616	641
Interest	0	0	2	7	13
Expenditures	(623)	(666)	(380)	(867)	(657)
Transfers	0	0	321**	0	0
Ending Balance	\$635	\$649	\$1,259	\$1,015	\$1,012
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

**Transfers in FY2017 represent prorated interest from a system-wide account allocated to the various campuses.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1969, the fund is used to provide loans to students with financial need pursuant to rules and regulations adopted by the UH Board of Regents. Revenues are from principal and interest payments made by students who receive such loans. Expenditures consist of loans awarded each academic year.

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

**Section 304A-2255,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$3,621*	\$4,700	\$5,911	\$7,232	\$7,863
Revenues	4,610	4,684	5,080	4,941	4,852
Interest	8	12	19	56	115
Expenditures	(3,539)	(3,485)	(3,778)	(4,366)	(4,378)
Transfers	0	0	0	0	0
Ending Balance	\$4,700	\$5,911	\$7,232	\$7,863	\$8,452
Encumbrances	\$73	\$75	\$24	\$3	\$228

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1974, the fund accounts for fees charged for medical services and other related goods and services to operate the student health center. Funds are used to provide primary care medicine and medical specialty services, medications, and medical supplies. Revenues are derived from fees charged, mandatory student health fees, and health insurance reimbursements. Expenses include clinical personnel costs, lab services, pharmaceuticals, medical and other supplies, health education materials, medical and office equipment, repairs, and facility renovations.

In Report No. 14-18, we reported that this fund met the criteria of a special fund, but noted that the program this fund supports also received general fund appropriations. We reported that UH records general fund appropriations and related expenditures in program/department general fund accounts, does not commingle the general fund moneys with fund moneys, and reports to the State separately from its special or revolving funds.

During FY2015-FY2019, this fund continued to receive general fund support to pay for the salaries of administrative personnel:

FY2015 - \$556,009
 FY2016 - \$564,022
 FY2017 - \$562,128
 FY2018 - \$274,022
 FY2019 - \$333,166

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

**Section 304A-2154,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$2,264	\$1,871	\$3,745	\$3,784	\$4,412
Revenues	1,500	2,760	1,947	2,243	1,983
Interest	3	5	9	21	57
Expenditures	(1,896)	(1,465)	(1,950)	(1,651)	(1,922)
Transfers*	0	574	33	15	0
Ending Balance	\$1,871	\$3,745	\$3,784	\$4,412	\$4,530
Encumbrances	\$222	\$674	\$406	\$481	\$720

*Transfers are from UH-Mānoa campus for its share of the “GoPrint” software agreement and its Adobe audit licensing fee and from SOH Enterprise Technology for equipment, services, and debt service.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1995, the fund is used to support systemwide information technology services, including personnel, equipment costs, and other expenses as well as planning, design, and implementation of information technology structure within UH. Revenues are derived from charges to UH departments for software licenses purchased and made available by Information Technology Services for distribution systemwide, desktop support charges for various UH departments, internet support provider fees, and educational broadband service fees. Expenditures include the purchases of site licenses, payroll, and other expenses.

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

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

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$554	\$495	\$499	\$416	\$272
Revenues	439	448	424	407	387
Interest	1	1	1	2	3
Expenditures	(499)	(445)	(508)	(553)	(432)
Transfers	0	0	0	0	0
Ending Balance	\$495	\$499	\$416	\$272	\$230
Encumbrances	\$15	\$13	\$14	\$19	\$21

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

We note that expenditures exceeded revenues in four of the five years under review and that yearly cash balances have been declining since FY2016, which raises concerns about the fund's capacity to be self-sustaining in the future. The department stated it is currently working to reduce deficits by increasing the transcript fee, funding a permanent position through the Division of Student Affairs' operating budget, utilizing other funding sources to offset student personnel costs, and minimizing office expenses.

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

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

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$0	\$500	\$683	\$800	\$845
Revenues	500	250	200	175	150
Interest	0	0	0	0	12
Expenditures	0	(67)	(83)	(130)	(92)
Transfers	0	0	0	0	0
Ending Balance	\$500	\$683	\$800	\$845	\$915
Encumbrances	\$23	\$21	\$16	\$5	\$1

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2012, the fund is used to support the activities of 'Ulu'ulu, Hawai'i's official state archive for moving images. Revenues are from a portion of cable franchise fees paid to the State each year. Expenditures are for costs associated with supporting the activities of the moving image archive, including digitizing videotapes and films to create digital preservation files, creating a searchable database with associated metadata of digital preservation files, producing video programs about noteworthy acquisitions and activities, and providing online access to public, educational, government, and legislative hearings held in its permanent collections.

**Unexpended Plant
Fund
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$4,268*	\$2,764	\$5,569	\$5,598	\$5,588
Revenues	6,364	3,677	421	8,387	21,415
Interest	1	1	2	3	6
Expenditures	(7,869)	(873)	(394)	(8,400)	(24,261)
Transfers	0	0	0	0	0
Ending Balance	\$2,764	\$5,569	\$5,598	\$5,588	\$2,748
Encumbrances	\$925	\$380	\$433	\$494	\$493

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established. Administratively established in 1990, the account is a temporary holding account for funds used to improve telescope-related infrastructure, building and equipment development for university-related operations, and future telescope decommissioning. Revenues are collected from various non-general fund sources to support telescope infrastructure and development for the Institute of Astronomy.

**University Innovation
and Commercialization
Initiative Special Fund
(special fund)**

**Section 304A-1953,
HRS**

Financial Data for Fiscal Years 2018 – 2019 (in thousands)

	FY2018	FY2019
Beginning Balance	\$0	\$0
Revenues	(254)*	506
Interest	0	(7)
Expenditures	0	(930)
Transfers	254**	(80)***
Ending Balance	\$0	(\$511)
Encumbrances	\$105	\$18

*Revenue is negative due to an investment check that was issued for the start-up project Disaster Risk Recovery LLC in FY2018. Per the agency, this was offset by a transfer into the account in the same year. To stay consistent with UH’s financial reports, negative revenue is classified as revenue as UH converts accrual balances to cash.

**The transfer in FY2018 was from the Research and Training Revolving Fund for the purpose of seed money to invest in innovation and commercialization initiatives.

***The transfer in FY2019 was to the Mānoa Innovation Center where net profit from the operating account was placed into a reserve account.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2017, the fund is used to support the Innovation and Commercialization Initiative Program. The Innovation and Commercialization Initiative Program was established so UH may promote, sponsor, and participate in the transformation of the products of its research and instructional activities into viable economic enterprises, and may create, finance, and participate in organizations that contribute to the economic development and workforce diversification of the State using UH research and personnel. Revenues are from rent and common area maintenance fees, as well as deposits from the Research and Training revolving fund. Expenditures include costs to run the Mānoa Innovation Center such as building management costs, utilities, maintenance, and supplies, and costs to run the UH Ventures program such as management fees, costs to establish and register UH Ventures LLC, and cohort investments. UH hopes that its investments in innovation projects will allow the fund to be self-sustaining in the future. However, since the account was recently established, there is insufficient financial data to evaluate whether the fund has the capacity to be self-sustaining.

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

**Section 304A-2175,
HRS**

Financial Data for Fiscal Year 2015 (in thousands)

	FY2015
Beginning Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Balance	\$0
Encumbrances	\$0

This fund was closed in 2015 after the statute establishing the fund was repealed pursuant to Act 106, SLH 2015. Statutorily established in 1991 as a revolving fund and converted to a special fund in FY2011, the fund was used to account for revenues and expenditures associated with UH-managed alumni events. The fund's original responsibilities were transferred to the University of Hawai'i Foundation in 2003.

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

**Section 304A-2176,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$37*	\$130	\$135	\$156	\$115
Revenues	222	180	205	237	180
Interest	0	0	0	1	1
Expenditures	(146)	(186)	(197)	(289)	(269)
Transfers**	17	11	13	10	8
Ending Balance	\$130	\$135	\$156	\$115	\$35
Encumbrances	\$14	\$19	\$7	\$11	\$0

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

**Transfers are from the UH system for royalties.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1985 and converted from a revolving fund to a special fund in FY2011, the fund is used to account for revenues and expenditures associated with the UH-Hilo intercollegiate athletics program. Revenues are derived from game ticket sales, concessions, season tickets, promotional sponsors, and camp tuition. Expenditures include salaries, materials, supplies, travel, and athletic equipment.

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

**Section 304A-2176,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	(\$15,354)	(\$16,166)	(\$23,307)	(\$22,114)	(\$25,021)
Revenues	23,684	19,501	24,686	20,788	23,117
Interest	(6)	(14)	(27)	(92)	(409)
Expenditures	(24,837)	(26,800)	(23,600)	(24,464)	(25,909)
Transfers*	347	172	134	861	1,020
Ending Balance	(\$16,166)	(\$23,307)	(\$22,114)	(\$25,021)	(\$27,202)
Encumbrances	\$530	\$544	\$523	\$1,091	\$431

*Transfers are from the sale of licensed Mānoa Athletics trademark sales collected by UH. In FY2018 and FY2019, transfers included annual \$700,000 transfers from tuition funds to bring down the overall negative cash balance of the fund.

This fund is not self-sustaining and has reported deficit ending balances since FY2002, and therefore does not meet the criteria of a special fund and should be repealed. Statutorily established in 1985 and converted from a revolving fund to a special fund in FY2011, the fund is used to account for revenues and expenditures associated with the UH-Mānoa intercollegiate athletics programs. Revenues are derived from ticket sales to athletic events, concession sales, television and radio broadcasting rights, corporate sponsorships, and donations. Expenditures include salaries, travel, scholarships, equipment, and supplies.

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

**Section 304A-2152,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$1,297	\$1,592	\$1,404	\$1,133	\$1,000
Revenues	870	454	446	656	382
Interest	3	3	3	7	11
Expenditures	(578)	(645)	(720)	(796)	(594)
Transfers	0	0	0	0	0
Ending Balance	\$1,592	\$1,404	\$1,133	\$1,000	\$799
Encumbrances	\$23	\$0	\$0	\$0	\$0

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1985, the fund serves to create a reserve to cover expenses related to malpractice claims filed against John A. Burns School of Medicine faculty physicians. Revenues are derived from fair share contributions from agencies that fund faculty physicians and interest earned on contributions. Expenditures include judgments, settlements, attorneys' fees, and other costs related to the defense against malpractice claims filed against faculty physicians and entities.

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

**Section 304A-2157,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$7,119	\$7,423	\$7,646	\$7,801	\$8,554
Revenues	3,339	3,455	3,422	3,779	4,008
Interest	12	48	26	55	119
Expenditures	(3,050)	(3,282)	(3,318)	(3,139)	(3,309)
Transfers*	3	2	25	58	42
Ending Balance	\$7,423	\$7,646	\$7,801	\$8,554	\$9,414
Encumbrances	\$792	\$531	\$440	\$362	\$427

*Transfers included service billings to the fleet services program, moneys for planned projects and administrative overhead to the repair and maintenance reserve account, and receiving residual balances from the Student Activities Revolving Fund, Tuition and Fees Special Fund, and Library Special Fund after these accounts were closed.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1998, the fund is used to provide services to students, faculty, staff and others that are ancillary to, but facilitate the instruction, research, and public service missions of UH. This includes operations of the Hyperbaric Treatment Center at the John A. Burns School of Medicine, fleet services, and administration of other auxiliary services. Revenues are from various fees related to these auxiliary services, including vending machine sales, motor pool rental, mailroom services, health center fees, and from patients treated at the center for hyperbaric oxygen services. Expenditures include salaries, supplies, materials, gasoline, repair and maintenance of motor pool vehicles and other equipment, and various other fees and costs related to auxiliary services.

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

**Section 304A-2172,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$206	\$179	\$153	\$119	\$244
Revenues	5	0	20	135	66
Interest	0	0	0	0	0
Expenditures	(32)	(26)	(54)	(10)	(47)
Transfers	0	0	0	0	0
Ending Balance	\$179	\$153	\$119	\$244	\$263
Encumbrances	\$0	\$0	\$0	\$0	\$0

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

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

**Section 304A-2251,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$4,698	\$3,954	\$3,186	\$3,866	\$10,526
Revenues	7,442	7,544	7,230	18,341	19,692
Interest	9	9	12	71	157
Expenditures	(8,403)	(8,047)	(6,994)	(18,131)	(19,225)
Transfers*	208	(274)	432	6,379**	(2,975)
Ending Balance	\$3,954	\$3,186	\$3,866	\$10,526	\$8,175
Encumbrances	\$2,101	\$1,702	\$1,686	\$1,732	\$1,824

*Transfers are internal transfers to various campuses pursuant to Section 304A-2251, HRS. UH also reported that transfers to the fund occur regularly because conference registration fees for UH faculty, staff, and students are processed through journal vouchers and checks cannot be issued to other UH departments.

** UH reported that the large FY2018 transfer was due to the transfer of the Food Service Division's operations from the University of Hawai'i Student Activities Revolving Fund to this fund.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1997, the fund is used to account for revenues and expenditures of commercial enterprises operated by UH programs. Revenues are from the operation of commercial enterprises that are related and incidental to UH's primary purposes and from the sale of goods produced by UH or goods bearing the UH logo. The fund also receives moneys from consulting services fees, conference registration fees, licensing royalties, and gift shop sales at the aquarium. Expenditures include salaries, materials, supplies, and other costs associated with the commercial enterprises.

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

**Section 304A-2156,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	(\$5,453)*	(\$5,255)	(\$5,299)	(\$4,484)	(\$3,377)
Revenues	4,675	4,579	4,017	3,606	3,580
Interest	(6)	(11)	(15)	(31)	(16)
Expenditures	(4,807)	(4,898)	(4,506)	(4,213)	(4,191)
Transfers**	336	286	1,319	1,745	211
Ending Balance	(\$5,255)	(\$5,299)	(\$4,484)	(\$3,377)	(\$3,793)
Encumbrances	\$274	\$245	\$184	\$133	\$135

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

**Transfers into the fund are to cover an accounting change for past administrative costs that were assessed entirely to the non-credit program but should have been split between the credit and non-credit programs. These series of transfers will occur over several years to reduce the negative cash balance in the fund. Also, transfers from the Tuition and Fees Special Fund are for administrative charges and to support community service projects.

This fund continues to serve the purpose for which it was created but does not meet the criteria of a special fund and should be repealed. In 2014, we reported that this fund was not self-sustaining and that significant transfers were needed to cover its deficit. This fund still is not self-sustaining, as expenditures have continued to exceed revenues, and it has a negative cash balance of nearly \$4 million. Further, the fund functions more like a revolving fund by collecting tuition, fees, and ticket sales to pay for the costs of non-credit and continuing education courses.

Statutorily established in 1998, the fund is used to provide non-credit education programs in areas such as professional development and training, personal growth, and cultural enrichment. Revenues are from service fees, tuition, and ticket sales. Expenditures include salaries, administrative services, materials, supplies, printing, advertising, travel, and equipment.

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

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$1,344*	\$1,495	\$1,495	\$1,617	\$1,632
Revenues	445	486	524	467	476
Interest	2	3	4	12	23
Expenditures	(412)	(532)	(434)	(475)	(436)
Transfers**	116	43	28	11	10
Ending Balance	\$1,495	\$1,495	\$1,617	\$1,632	\$1,705
Encumbrances	\$0	\$1	\$4	\$2	\$0

*According to UH, FY2015 beginning balance does not agree to FY2014 ending balance because only a portion of this fund was previously reported in Report No. 14-18.

**Transfers from the Quasi-Endowment Fund and Commercial Enterprises Revolving Fund.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1925, the fund is used to award financial aid scholarships to students based on scholastic achievement and financial need. Revenues are from approved distributions from endowment funds. Trust funds have been established at each campus and include the Geology Undergraduate Study (UH-Hilo), the Ralph M. Miwa Scholarship (UH-West O'ahu), the Ruth E. Black Scholarship Fund (all campuses), the Wilcox Scholarship (community colleges), and the Wilhemina Tenney Fund (UH-Mānoa).

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

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$2,091*	\$1,653	\$1,626	\$1,720	\$1,432
Revenues	545	607	481	97	501
Interest	3	3	5	11	19
Expenditures	(986)	(637)	(392)	(396)	(840)
Transfers	0	0	0	0	0
Ending Balance	\$1,653	\$1,626	\$1,720	\$1,432	\$1,112
Encumbrances	\$45	\$4	\$2	\$6	\$1

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

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

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

**Section 304A-2260,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$466	\$399	\$505	\$722	\$679
Revenues	666	751	684	700	682
Interest	1	1	2	6	8
Expenditures	(734)	(646)	(469)	(749)	(853)
Transfers	0	0	0	0	0
Ending Balance	\$399	\$505	\$722	\$679	\$516
Encumbrances	\$8	\$9	\$12	\$22	\$15

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1995, the fund is used to account for revenues and expenditures associated with processing graduate applications. Revenues are from graduate application processing fees and interest. Expenditures include payroll, supplies, postage, bank service fees for credit card processing, and the cost of preparing, distributing, and processing graduate applications.

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

**Section 304A-2181,
HRS**

Financial Data for Fiscal Years 2018 – 2019 (in thousands)

	FY2018	FY2019
Beginning Balance	\$0	\$6
Revenues	47	0
Interest	0	0
Expenditures	(41)	0
Transfers*	0	6
Ending Balance	\$6	\$12
Encumbrances	\$0	\$0

*Transfers from realized energy savings for freezers installed at UH-Mānoa.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2017, the fund supports energy efficiency, renewable energy, and sustainability projects and services. Revenues are derived from savings realized by UH from energy conservation measures; investment earnings, gifts, donations, or other income received by UH; any rebates, grants, or incentives associated with energy conservation measures; capital appropriations for energy conservation measures; and proceeds from UH revenue bonds. Expenditures include personnel, equipment costs, project costs, and other expenses, as well as planning, design, and implementation of sustainability projects for the benefit of UH.

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

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$175	\$253	(\$2)	(\$642)	(\$487)
Revenues	206	179	155	159	158
Interest	0	0	0	(3)	(4)
Expenditures	(128)	(434)	(795)	(1)	0
Transfers	0	0	0	0	0
Ending Balance	\$253	(\$2)	(\$642)	(\$487)	(\$333)
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1985, the fund is used to provide scholarships for UH athletes and to provide financial support for UH's program objectives. Revenues are from endowment earnings from private gifts and donations. Expenditures include athletic scholarships awarded to approximately 240 student athletes annually. However, since FY2018, UH stopped using this fund until revenues replenish the fund balance.

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

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$10,753	\$13,440	\$13,683	\$9,827	\$8,044
Revenues	77,427	78,987	88,158	88,580	91,764
Interest	25	56	42	42	57
Expenditures	(75,922)	(79,738)	(92,620)	(91,190)	(90,578)
Transfers*	1,157	938	564	785	254
Ending Balance	\$13,440	\$13,683	\$9,827	\$8,044	\$9,541
Encumbrances	\$8,075	\$11,044	\$9,422	\$7,819	\$8,100

*Transfers are from residual balances of fixed price contract project accounts.

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

**University of Hawai'i
Quasi-Endowment
Trust Fund
(trust fund)**

**Section 304A-2355,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$0	\$0	\$1,196	\$1,602	\$1,899
Revenues	0	1,098	1,086	998	1,191
Interest	0	0	0	0	0
Expenditures	0	(506)	(667)	(701)	(1,220)
Transfers*	0	604	(13)	0	0
Ending Balance	\$0	\$1,196	\$1,602	\$1,899	\$1,870
Encumbrances	\$0	\$0	\$0	\$0	\$4

*Transfers from the Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Statutorily established in 2015, the fund is used to account for unrestricted quasi-endowment revenues and expenditures for the intercollegiate athletics scholarship programs at UH-Mānoa and UH-Hilo; Presidential and Regents scholarships; Board of Regent awards; and other projects authorized by the UH President. Revenues are primarily from interest earned on the UH-Mānoa Stadium Stock Fund and lease rents for the use of community college property. Expenditures include scholarships to student athletes.

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

**Section 304A-2274,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$1,444	\$1,503	\$1,805	\$2,399	\$2,889
Revenues	705	1,034	1,373	1,071	1,627
Interest	3	3	5	16	40
Expenditures	(701)	(806)	(847)	(661)	(856)
Transfers*	52	71	63	64	(22)
Ending Balance	\$1,503	\$1,805	\$2,399	\$2,889	\$3,678
Encumbrances	\$36	\$40	\$49	\$85	\$839

*Net transfers between the Real Property and Facilities Use Revolving Fund and the Office of Planning and Facilities, John A. Burns School of Medicine, UH-Hilo, UH-West O'ahu, and systemwide accounts.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1998, the fund is used to account for revenues collected by UH for the use of its property and facilities. The fund supports the Urban Garden Center, facilities at the College of Tropical Agriculture and Human Resources, the UH Cancer Center, the School of Earth Science and Technology, School of Medicine, UH-Hilo and UH-West O'ahu. Revenues are from fees and charges for the use of UH facilities including land, buildings, grounds, furnishings, and equipment. Expenditures consist of materials, supplies, labor, administrative and operational expenses, contractor services, repairs, and equipment replacement.

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

**Section 304A-2151,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$5,213*	\$6,104	\$5,687	\$3,748	\$5,573
Revenues	1,920	107	94	987	40
Interest	0	0	0	6	8
Expenditures	(1,862)	(2,460)	(3,962)	(1,090)	(755)
Transfers**	833	1,936	1,929	1,922	1,914
Ending Balance	\$6,104	\$5,687	\$3,748	\$5,573	\$6,780
Encumbrances	\$1,647	\$1,171	\$1,082	\$1,492	\$1,156

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

**Transfers were made from the various campuses to the University of Hawai'i Risk Management Special Fund.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2003, the fund is used to support the administration and operation of the risk management program. Revenues are generated from an assessment to the campuses within the UH system. Expenditures include insurance premiums, retention payments, claims administration, settlements, payment of judgments, other obligations, and legal fees and costs.

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

**Section 304A-2159,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$2,238*	\$6,114	\$3,917	\$3,638	\$983
Revenues	10	9	9	10	10
Interest	0	0	0	0	0
Expenditures	(43,402)	(47,355)	(49,481)	(49,765)	(45,806)
Transfers**	47,268	45,149	49,193	47,100	50,072
Ending Balance	\$6,114	\$3,917	\$3,638	\$983	\$5,259
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

**Transfers were from the University of Hawai'i Tuition and Fees Special Fund to offset scholarship expenses for Mānoa, Hilo, and West O'ahu campuses.

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

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

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$300*	\$300	\$301	\$303	\$305
Revenues	0	0	0	0	0
Interest	0	1	1	2	4
Expenditures**	0	0	1	0	1
Transfers	0	0	0	0	0
Ending Balance	\$300	\$301	\$303	\$305	\$310
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 because financial data for FY2014 was not yet completed at the time of submission and was subsequently adjusted.

**UH reported negative expenditures (shown as positive values above) from this fund in FY2017 and FY2019. When asked for an explanation, UH reported that the negative expenditures were the result of collection on "bad debts" that were previously designated "uncollectible."

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established prior to 1996, the fund is used to provide students with emergency loans to meet expenses incidental to their schooling. Revenues are derived from interest earned on positive cash balances. Loans are not subject to a finance or service charge but must be repaid within 60 days.

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

**Section 304A-2257,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$11,160	\$12,023	\$14,484	\$14,445	\$6,712
Revenues	18,035	18,258	18,115	7,376	7,005
Interest	24	33	46	77	101
Expenditures	(17,178)	(15,802)	(18,200)	(8,553)	(7,224)
Transfers*	(18)	(28)	0	(6,633)	(241)
Ending Balance	\$12,023	\$14,484	\$14,445	\$6,712	\$6,353
Encumbrances	\$446	\$2,142	\$1,182	\$254	\$184

*Transfers were made to the Student Life & Development Office for leadership education, development opportunities, and training. In FY2018, there was a one-time transfer to the Commercial Enterprise Revolving Fund because it was determined that Division Food Services fund should be in the Commercial Enterprise Revolving Fund and not the Student Activities Revolving Fund.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1980, the fund consists of separate internal accounts for UH-Mānoa, UH-Hilo, UH-West O‘ahu, and the community colleges. At UH-Mānoa, the fund is used to support several chartered student organizations including the Student Activity and Program Fee Board, the Graduate Student Organization, the Student Media Board, the Associated Students of the University of Hawai‘i, and the Campus Center Board. At UH-Hilo and UH-West O‘ahu, the purpose of the programs is to provide students with opportunities to be engaged in campus life. For UH-Hilo, this includes student activities, clubs and organizations, campus publications, campus community service, student government, university radio, and use of the on-campus student life center. For UH-West O‘ahu this includes student activities, clubs and organizations, campus publications, student health and wellness, student government, student transportation, technology support, and intramural sports and recreation. Revenues are derived from mandatory student fees assessed on enrolled students and interest income earned on fund balances. Expenditures consist of administrative expenses, salaries, travel expenses, stipends, and equipment to conduct the activities and operations of the program.

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

**Section 304A-2153,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$83,468*	\$85,974***	\$124,660	\$150,836	\$161,525
Revenues	333,769	341,707	346,410	329,763	336,824
Interest	252	444	1,068	1,873	2,744
Expenditures	(276,345)	(258,999)	(261,646)	(262,683)	(260,793)
Transfers**	(55,171)	(44,466)	(59,656)	(58,264)	(59,900)
Ending Balance	\$85,973***	\$124,660	\$150,836	\$161,525	\$180,400
Encumbrances	\$25,320	\$23,219	\$29,362	\$28,301	\$28,130

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to correcting entries made after preliminary FY2014 balances were reported.

**Transfers were made to the Scholarship and Assistance Fund, the University Revenue-Undertakings Fund, the Community Service Special Fund, the Athletics Special Fund, and UH system for tuition scholarships, revenue bond debt service, College of Continuing Education and Community Service administrative costs, BANNER student information system support, contributions to the repair and replacement reserve, and risk management.

***UH reported that FY2015 ending balance does not agree to FY2016 beginning balance due to account attribution corrections resulting from UH's financial system conversion and beginning balance adjustments due to salary transfers between funds.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1995, the fund is used to separately account for revenues and expenditures from tuition for regular, summer, and continuing education credit courses; tuition-related course and fee charges; and any other charges to students. Revenues are from tuition collected by UH for regular and summer credit courses, continuing education credit tuition, and fees related to specific academic disciplines and student life activities. Expenditures include costs to maintain and improve programs and operations. Additionally, the Board of Regents may authorize expenditures of up to \$3 million annually to promote alumni relations and generate private donations for deposit into the University of Hawai'i Foundation.

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

**Section 304A-2352,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$3,824	\$4,118	\$4,234	\$3,493	\$5,091
Revenues	5,434	5,789	5,951	7,124	7,671
Interest	7	9	12	28	79
Expenditures	(5,147)	(5,682)	(6,704)	(5,554)	(5,851)
Transfers	0	0	0	0	0
Ending Balance	\$4,118	\$4,234	\$3,493	\$5,091	\$6,990
Encumbrances	\$788	\$1,592	\$1,349	\$2,036	\$3,584

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Established in 1998 and converted from a revolving fund to a trust fund in 2002, the fund is used to pay for employees' claims for workers' compensation and unemployment insurance benefits. Revenues are generated from fringe benefits rates that are charged against all UH payroll funds. Expenditures include payments for all workers' compensation and unemployment insurance claims made by employees.

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

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$1,024	\$1,026	\$1,029	\$1,031	\$1,039
Revenues	0	0	0	0	0
Interest	2	3	2	8	14
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$1,026	\$1,029	\$1,031	\$1,039	\$1,053
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1980, the fund is used to promote cooperative and collaborative data collection and research projects between UH and the East-West Center. Revenues are from government grants and private donations. Expenditures include books, periodicals, materials related to East-West Center programs, security and parking assistance, and computer and health services. Other than interest revenue, there has been no activity in the fund during the five-year review period. However, UH reported that it intends to begin planning a use for the accumulated funds.

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

**Section 304A-2178,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$98	\$52	\$26	\$28	\$34
Revenues	133	114	180	141	147
Interest	0	0	0	0	0
Expenditures	(179)	(140)	(178)	(135)	(148)
Transfers	0	0	0	0	0
Ending Balance	\$52	\$26	\$28	\$34	\$33
Encumbrances	\$5	\$4	\$0	\$1	\$1

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1997 as a revolving fund and later reclassified as a special fund pursuant to Act 124, SLH 2011, the fund is used to support the production and presentation of performing arts events at UH-Hilo's Performing Arts Center. Revenues are from admission charges to events, advertising sales, sponsorships, and merchandising. Expenditures include salaries, materials, supplies, travel, non-personal services, advertising, printing, food, and refreshments.

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

**Section 304A-2166,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$121*	\$270	\$87	\$85	\$86
Revenues	4	9	0	0	0
Interest	0	0	0	1	1
Expenditures	0	(158)	(2)	0	0
Transfers**	145	(34)	0	0	0
Ending Balance	\$270	\$87	\$85	\$86	\$87
Encumbrances	\$190	\$2	\$0	\$0	\$0

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

**FY2015 transfer from the University Revenue-Undertakings Fund for revenue bond debt service payments. FY2016 transfer to the Real Property and Facilities Use Revolving Fund for income received for facility rentals.

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

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

**Section 304A-2275,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$141*	\$127	\$184	\$245	\$282
Revenues	251	268	265	257	233
Interest	0	0	0	2	4
Expenditures	(265)	(211)	(204)	(222)	(223)
Transfers	0	0	0	0	0
Ending Balance	\$127	\$184	\$245	\$282	\$296
Encumbrances	\$27	\$101	\$27	\$17	\$29

*FY2015 beginning balance does not agree to FY2014 ending balance in Report No. 14-18 due to rounding errors made in 2014.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1964, the fund is used to account for designated parking areas at UH-Hilo. Revenues are derived from charges for parking permits, daily passes, and fines from citations and are used to support parking office operational costs and parking lot repair and maintenance. Expenditures include salaries, supplies, materials, printing, non-personal services, and ceded land payments to the Office of Hawaiian Affairs (20 percent of gross receipts).

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

**Section 304A-2167.5,
HRS**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$64,869	\$71,587**	\$80,384	\$90,208	\$96,835
Revenues	78,848	76,780	75,845	73,003	68,182
Interest	121	172	296	724	1,500
Expenditures	(62,300)	(58,529)	(55,559)	(56,652)	(52,962)
Transfers*	(9,953)	(9,626)	(10,758)	(10,448)	(6,900)
Ending Balance	\$71,585**	\$80,384	\$90,208	\$96,835	\$106,655
Encumbrances	\$10,394	\$8,806	\$8,945	\$8,900	\$11,439

*Transfers to the University System Bond and Interest Sinking Fund for debt service payments. Transfers from the University of Hawai'i Tuition and Fees Special Fund for debt service payments and contributions toward the repair and replacement reserve.

**FY2015 ending balance does not agree to FY2016 beginning balance because of corrections made to two accounts in December 2015.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1971 as a revolving fund and repealed and re-established as a special fund in 2007, the fund is used to account for moneys received from all revenue producing UH projects or systems. Revenues are from rates, rents, fees, and charges imposed by the Board of Regents for the use or enjoyment of, and services provided by, project facilities. Expenditures include construction, operation, repair, and maintenance of UH projects or systems; payment of revenue bonds and interest; reimbursement to UH for expenses incurred in issuing revenue bonds; and reimbursement to the general fund for all general obligation bond requirements issued for a UH project or system.

**University System
Bond and Interest
Sinking Fund
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2015 – 2019 (in thousands)*					
	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$8,214	\$10,087	\$10,479	\$11,552	\$11,170
Revenues	4,413	4,422	4,432	4,437	4,453
Interest	0	0	0	0	0
Expenditures	(45,197)	(46,165)	(46,140)	(44,375)	(44,152)
Transfers**	42,657	42,135	42,781	39,556	39,699
Ending Balance	\$10,087	\$10,479	\$11,552	\$11,170	\$11,170
Encumbrances	\$0	\$0	\$0	\$0	\$0

*The financial data provided by UH for this fund differs from financial data available in FAMIS. UH stated that FAMIS reports on “fund balances” while UH reports on “cash balances.” Specifically, UH asserts that the FAMIS data we reviewed may have contained “nonmonetary assets” (e.g., bond refunds or a defeasance of old bonds). UH did not have a definitive answer on what specific transactions may have caused this discrepancy before the conclusion of our review.

**Transfers from the University Revenue-Undertakings Fund for debt service payments on revenue bonds.

This fund does not meet all the criteria of a revolving fund because it functions more like a trust account that serves as an accounting device to separately hold and clear debt service payments on revenue bonds, but it continues to serve the purpose for which it was originally established. Administratively established prior to 2002, the fund is used as a holding account for the University Revenue-Undertakings Fund’s debt service payments on revenue bonds. Revenues are from bond subsidies. Expenditures include debt service payments. The fund should be reclassified as a trust account.

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

Administratively established

Financial Data for Fiscal Years 2015 – 2019 (in thousands)

	FY2015	FY2016	FY2017	FY2018	FY2019
Beginning Balance	\$562	\$636	(\$2)	(\$2)	(\$2)
Revenues	1,142	0	0	0	0
Interest	1	0	0	0	0
Expenditures	(978)	0	0	0	0
Transfers*	(91)	(638)	0	0	0
Ending Balance*	\$636	(\$2)	(\$2)	(\$2)	(\$2)
Encumbrances	\$0	\$0	\$0	\$0	\$0

*The fund was closed in FY2016 and the remaining balance was transferred to the UH Scholarship Trust Fund and the UH Quasi Endowment Trust Fund in FY2015 and FY2016, respectively. UH plans to transfer the negative ending balance to the new trust fund accounts.

This fund was closed in FY2016 following the establishment of the University of Hawai'i Quasi-Endowment Trust Fund pursuant to Act 106, SLH 2015. The remaining balance was transferred to the University of Hawai'i Scholarship Trust Fund and the University of Hawai'i Quasi-Endowment Trust Fund. Administratively established in 1994, the fund was used to account for revenues and expenditures of the intercollegiate athletic scholarship program at UH-Hilo; account for interest income earned on lease revenue generated from the use of community college property; account for UH-Mānoa Athletic Department's allocation of the Stadium Endowment Fund; and produce bound copies of the oral histories of former UH presidents. Revenues were from public donations, fund drives, lease rent, interest income, and the Stadium Endowment Fund. Expenditures consisted of scholarship and service awards, and the Athletic Department's salaries, travel, medical expenses, recruiting, equipment, payments to officials, dues to the Big West and Mountain West conferences, guarantees to visiting teams, credit card fees, and other operating expenses.

Vacation Assessment Reserve (trust fund)

Administratively established

Financial Data for Fiscal Years 2017 – 2019 (in thousands)

	FY2017	FY2018	FY2019
Beginning Balance	\$0	\$317	\$3,684
Revenues	6,228	6,174	5,900
Interest	1	13	74
Expenditures	(5,912)	(2,820)	(2,740)
Transfers	0	0	0
Ending Balance	\$317	\$3,684	\$6,918
Encumbrances	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 2017, this fund is used to deposit and distribute accrued vacation balances. Revenues are generated from fringe benefit rates that are charged against all UH payroll funds. The fund is used for accrued vacation payouts upon termination, retirement, or transfer to another state or county agency.

Inactive and Repealed Funds

UH reported the following funds did not have any financial activity and maintained minimal account balances during FY2015-FY2019. Though the funds have been repealed by the Legislature, UH reported that certain funds have not been removed from UH's KFS. UH asserts that keeping certain funds "on the books" is a "best practice" to ensure that fund-specific data is retained at UH in case it is needed in the future.

Fund Name	Authority	Status
Conference Center Revolving Fund	Section 304A-2264, HRS (repealed by Act 124, SLH 2011)	Open UH reported that this fund has a \$0.02 balance that UH is working to clear.
Education Laboratory School Summer Programs Revolving Fund	Section 304A-2266, HRS (repealed by Act 124, SLH 2011)	Open UH reported a cash balance of less than \$10 between FY2015-FY2019.
Hawai'i Health Corps Revolving Fund	Section 309H-6, HRS (repealed by Act 106, SLH 2015)	Open UH reported a \$0 fund balance between FY2015-FY2019.
Hawai'i Medical Education Special Fund	Section 304A-2164, HRS (repealed by Act 106, SLH 2015)	Open UH reported a \$0 fund balance between FY2015-FY2019.
Senator Hiram L. Fong Scholarship Program Endowment Trust Fund	Section 304A-2353, HRS (repealed by Act 106, SLH 2015)	Closed UH reported that this fund no longer exists in KFS.
Senator Oren E. Long Scholarship Program Endowment Trust Fund	Section 304A-2354, HRS (repealed by Act 106, SLH 2015)	Closed UH reported that this fund no longer exists in KFS.
University of Hawai'i Housing Assistance Revolving Fund	Section 304A-2258, HRS (repealed by Act 124, SLH 2011)	Open UH reported that this fund carries a \$23 encumbrance balance.

Chapter 3

Observations on the University of Hawai‘i’s Reporting and Accounting for Funds

As we reported in our *Study of the Transfer of Non-general Funds to the General Fund*, Report No. 12-04, special, revolving, and other types of non-general funds collectively represent about half of the State’s operating budget – moneys that are not subject to the same level of legislative scrutiny as the general fund. 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. Fund reports are one of the primary means through which the Legislature tracks non-general funds. The reports are used to monitor fund balances and identify excess moneys for possible transfer to the general fund.

UH Did Not Report Non-General Funds as Required by Law

Section 37-47, HRS, requires departments to submit to the Legislature an annual report of each non-general fund account, including information such as the intended purpose of the fund, current program activities supported by the fund, and financial data. The Director of Finance annually issues a memorandum requesting all departments complete and submit Form 37-47, *Report on Non-General Fund Information*, to the Department of Budget and Finance for each of their non-general funds. The Department of Budget and Finance compiles a report of all non-general fund accounts and submits it to the Legislature prior to the start of each legislative session.

Section 37-52.5, HRS, requires the Judiciary and any department that administratively establishes a new fund or account to submit a report to the Legislature. The report must be filed within 30 working days of a fund or account’s creation and should include a justification for the fund or account and identification of its sources of revenue. In addition, prior to the start of each legislative session, the law also requires each department to submit to the Legislature a listing of all administratively established funds or accounts along with a statement of their revenues, expenditures, encumbrances, and ending balances for each fund or account. This report is separate and distinct from the non-general fund report required under Section 37-47, HRS.

During our review of UH's non-general funds, we noted noncompliance with statutory requirements to report financial activity and balances, as required by Section 37-47, HRS, as well as fund information for administratively established funds and accounts under Section 37-52.5, HRS.

As shown in Exhibit 3.1, UH had non-general funds with balances totaling \$8.93 million and administratively created non-general funds with balances totaling approximately \$109 million that were not reported to the 2019 Legislature as required by Sections 37-47 and 37-52.5, HRS, respectively.

**Exhibit 3.1
UH Non-General Funds and Administratively Created Funds Not Reported to the Legislature**

Fund Name	Fund Type	HRS 37-47 (Non-General)	FY2018 Ending Balance (rounded)	HRS 37-52.5 (Admin Created)	FY2018 Ending Balance (rounded)
Agency Fund	Trust Account	✓	(\$2,238,000)	✓	(\$2,238,000)
Endowment Fund	Trust Fund			✓	74,639,000
Mānoa Flood Trust Fund - Oct 2004	Trust Fund			✓	4,188,000
Unexpended Plant Fund	Trust Account			✓	5,588,000
University of Hawai'i Financial Aid Scholarships Trust Fund	Trust Fund			✓	1,632,000
University of Hawai'i Gifts and Donations Trust Fund	Trust Fund			✓	1,432,000
University of Hawai'i Intercollegiate Athletics Scholarships Trust Fund	Trust Fund			✓	(487,000)
University of Hawai'i Private Funded Contracts and Grants Trust Fund	Trust Fund			✓	8,044,000
University of Hawai'i Short-Term Loans Trust Fund	Trust Fund			✓	305,000
University of Hawai'i-East-West Center Support Trust Fund	Trust Fund			✓	1,039,000
University System Bond and Interest Sinking Fund	Revolving Fund	✓	11,170,000	✓	11,170,000
Vacation Assessment Reserve	Trust Fund			✓	3,684,000
Total			\$8,932,000		\$108,996,000

Source: Office of the Auditor

Research Corporation of the University of Hawai‘i

The Research Corporation of the University of Hawai‘i (RCUH), a state agency established by the Legislature in 1965, is attached to UH for administrative purposes. Its mission is to support and enhance research, development, and training in Hawai‘i with a focus on UH. According to RCUH, the majority of its business is from research and training projects supported by extramural contracts and grants to UH faculty.

In Report No. 14-18, we reported that RCUH maintained approximately five hundred (500) “revolving fund accounts” to hold moneys for UH projects and that these accounts have never been included in the scope of our prior fund reviews. We continue to believe these RCUH accounts (subsequently renamed by RCUH to “revolving accounts”) do not function as special, revolving, or trust funds, as defined under Section 37-62, HRS, and therefore, do not fall within the scope of our fund review under Section 23-12, HRS.

RCUH’s revolving accounts are UH accounts that are self-sustaining, income-generating projects established for the purpose of supporting a Specialized Service Facility, a Recharge Center, or Other Sales and Services activities. For example, the UH Marine Center is a specialized service facility that charges for ship scheduling, provision of shipboard crew and technicians, and vessel chartering, among other things. Revolving accounts, like the one established for the UH Marine Center, are intended to be breakeven and self-sustaining (but not profit-making).

According to RCUH’s policies and procedures, revolving accounts must be renewed at least biennially and any account seeking to make significant changes or modifications to its purpose must re-submit a service order request to RCUH. Moreover, any account that is inactive or no longer needed (as determined by the original purpose of the account) must be closed and its surplus balance refunded to UH.

Based on the above, we do not believe that RCUH’s revolving accounts function as special, revolving, or trust funds as defined under Section 37-62, HRS. Moreover, in light of the policies and procedures that govern RCUH’s management and oversight of the revolving accounts, namely that the accounts must be renewed at least biennially, the likelihood of funds sitting dormant for extended periods in a revolving fund seems very low.



Office of the Auditor’s Comments on the University of Hawai‘i’s Response

Comments on Agency Response

We transmitted to UH a draft of our review of its Special Funds, Revolving Funds, Trust Funds, and Trust Accounts and met with UH officials to discuss the draft report, including our recommendations for those funds that we determined either should be reclassified or closed. UH’s written response to the draft report is included as Attachment 1.

UH agreed with our assessments for all but one of its funds.

UH disagreed with our determination that the Community Colleges Special Fund should be reclassified as a revolving fund. We reached an identical conclusion in 2014 as part of our last review of UH’s funds. UH asserts, essentially, that the Community Colleges Special Fund does not operate like other revolving funds because the Community Colleges Special Fund is not required by statute to “run as a closed loop.”

We disagree with UH’s assertion that a revolving fund must operate as a “closed loop.” “Revolving fund” is defined in Section 37-62, Hawai‘i Revised Statutes (HRS), as “a fund from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services *or through transfers from other accounts or funds.*” We do not interpret the definition to require revolving funds to operate as “closed loops” since revolving funds may be replenished through “transfers from other accounts or funds” (i.e., from funds outside the “closed loop”).

“Special funds” are defined in Section 37-62, HRS, as “funds which are dedicated or set aside by law for a specified object or purpose, *but excluding revolving funds* and trust funds.” Accordingly, because this fund meets the definition of a revolving fund, we maintain that reclassification from a special fund to a revolving fund is appropriate and correct based upon the information UH provided to us during the review process.

As to our other observations about the department’s failure to submit certain reports to the Legislature, UH acknowledged its failure to submit all reports as an “oversight” and added that the omitted funds will be included in future reports to the Legislature.





UNIVERSITY
of HAWAII®

David Lassner
President

January 31, 2020

Mr. Les Kondo
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawai'i 96813-2917

Dear Mr. Kondo:

Thank you for providing us the opportunity to respond to your draft report entitled: *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i*. Please extend our appreciation to your staff as well. We have reviewed the draft and respectfully offer the following comments:

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

Community Colleges Special Fund

We respectfully disagree with the assessment that this fund would be better classified as a revolving fund. Section 304A-2162, Hawai'i Revised Statutes (HRS), is the statute that establishes this fund and contains a subsection that allows the deposit of funds from:

- the Tuition and Fees Special Fund;
- tuition, fees, and charges for affiliated instructional, training, and public service courses and programs; and
- fees, fine and other money collected for student health, transcript and diploma, library, facility use, child care, auxiliary enterprises, alumni, and other related activities.

Because of this, we do not feel that it is intended for this fund to run as a "closed loop" similar to other revolving funds.

Conference Center Revolving Fund – University of Hawai'i at Hilo

We recognize that the statutory language is outdated. However, the University of Hawai'i at Hilo has plans to utilize the fund in the future. To this end, House Bill No. 2257 and Senate Bill No. 2932 are companion bills in the Governor's Administration package that seek to update the statute to allow contemporize its use for current operations. The current statute authorizing this fund is outdated as the University no

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Les Kondo, State Auditor
January 31, 2020
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longer has the specific low-level program identified in the statute. Simply removing reference to this non-existent program will make the purpose and fund contemporary and thereby, useful again.

Professional Student Exchange Program Revolving Fund

We acknowledge that this fund no longer serves its original purpose and are prepared to comply with the will of the legislature should they choose to discontinue this fund.

University of Hawai'i at Mānoa Intercollegiate Athletics Special Fund

The financial sustainability of the University of Hawai'i at Mānoa's Intercollegiate Athletics program is of vital concern. However, we note that only ten percent of all NCAA Division I public school programs generate enough revenues to cover their expenses, and that all of these programs are from "Power 5" conferences.

Nevertheless, intercollegiate athletics is an essential part of the fabric of the University and the State and provides an important role in the sense of community and pride for students and residents of Hawai'i. There are also economic benefits to the State through direct spending on labor, goods, and services, the creation of jobs, and additional visitors and associated visitor spending to Hawai'i.

The University of Hawai'i at Mānoa's Athletics program continues to strive for self-sufficiency, but this effort will require collaboration and participation by the Legislature, the University, and the entire community of Hawai'i. Additional support has been provided by the Legislature in recent years and that has helped to mitigate the losses by the Athletics program although they are still present.

University of Hawai'i Community Services Special Fund

As indicated in this report, this fund continues to serve the purpose for which it was created – providing public service programs including noncredit educational programs in professional development and training, personal growth, and cultural enrichment; and cooperative extension and consultative services. These programs serve a critical purpose and are self-sustaining. The negative ending balances were the result of Outreach College at Mānoa not allocating expenses relating to credit programs in a timely manner.

It may be useful to note that in the Auditor's Review five years ago that the negative balance was \$5.5 million. That negative balance has declined to \$3.8 million. This reduction in the deficit was largely attributable to Outreach College making payments

Les Kondo, State Auditor
January 31, 2020
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against this deficit. We will continue to work on reducing the negative ending balances and hope to eliminate them completely in the near future.

University System Bond and Interest Sinking Fund

The University will review the intent of this fund to evaluate and assess the most appropriate account classification. We will also review the activity on both the Kualii Financial System (KFS) and FAMIS ledgers to make a final determination.

With regard to those funds that we had not previously reported on, pursuant to Section 37-47, HRS, or Section 37-52.5, HRS, we apologize for the oversight and note that as of this most recent Legislative Session (2020) that we have begun to include those funds in our reports.

As the final report is anticipated for release after the bill introduction deadline for the 2020 Legislative Session, it will be too late to introduce a measure to address your recommendations during this Session. However, we anticipate submitting a bill for legislative consideration at the next opportunity.

Thank you for your time and consideration with your review of our non-general funds and we look forward to working with you and your office in the future.

Sincerely,



David Lassner
President

