

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawai'i State Public Library System

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

Report No. 22-01
January 2022



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

Foreword

This is a report of our review of the special funds, revolving funds, trust funds, and trust accounts of the Department of Education and its administratively attached agency, the Hawai‘i State Public Library System.

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds, once every five years. Although not mandated by statute, we include trust accounts as part of our review. This is our sixth review of the revolving funds, trust funds, and trust accounts of the Department of Education and our fifth review of the funds and accounts administered by the Hawai‘i State Public Library System. It is our second review of their special funds since section 23-12, HRS, was amended by Act 130, Session Laws of Hawai‘i 2013, to include reviews of special funds.

We wish to express our appreciation for the cooperation and assistance extended to us by the Department of Education and the Hawai‘i State Public Library System.

Leslie H. Kondo
State Auditor



Table of Contents

Chapter 1	Introduction.....	1
	Description of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts.....	2
	Criteria for Reviewing Special Funds, Revolving Funds, Trust Funds, and Trust Accounts	3
	Objectives of the Review	4
	Scope and Methodology	4
Chapter 2	Department of Education.....	7
Chapter 3	Hawai‘i State Public Library System	43
Chapter 4	Observations on Department of Education’s and Hawai‘i State Public Library System’s Reporting and Accounting for Funds	51
	The Department of Education and the Hawai‘i State Public Library System Did Not Report Non-General Funds as Required by Law.....	51
	The Office of the Auditor’s Comments on Responses from the Department of Education and the Hawai‘i State Public Library System.....	55
Attachment 1	Department of Education’s Response	56
Attachment 2	Hawai‘i State Public Library System’s Response	58

List of Exhibits

Exhibit 2.1	Cash Balances for the Department of Education Non-General Funds FY2017 – FY2021 (in millions)	7
Exhibit 2.2	Department of Education Fund and Account Totals by Type, FY2021	8
Exhibit 2.3	Department of Education Funds Not Meeting Criteria.....	9
Exhibit 3.1	Cash Balances for Hawai‘i State Public Library System Non-General Funds FY2017 – FY2021 (in millions)	43
Exhibit 4.1	DOE Administratively Created Non-General Funds Not Reported to the Legislature	52
Exhibit 4.2	HSPLS Administratively Created Non-General Funds Not Reported to the Legislature	53

Chapter 1

Introduction

This review encompasses the special funds, revolving funds, trust funds, and trust accounts administered by the Department of Education (DOE) and its administratively attached agency, the Hawai‘i State Public Library System (HSPLS). 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. For each fund, the Auditor’s review must include:

1. An evaluation of the original intent and purpose of the fund, both as expressed by the Legislature and as understood by the expending agency;
2. The degree to which the 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 DOE’s revolving funds, trust funds, and trust accounts; and our fifth review of the funds and accounts administered by HSPLS.¹ It is our second review of DOE and HSPLS 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 2016.

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 the assets held only for those designated to benefit from the funds. A pension fund is an example of a trust fund. Contributions and payments are to be held for the beneficiaries of the pension fund. Another example is tenants’ security deposits, which are held in trust for the future benefit of tenants and landlords. Until forfeited or returned, deposits are the property of the tenants and should be accounted for accordingly.

Trust accounts

The Department of Accounting and General Services (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 in this report 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 DOE and HSPLS.
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 (FY2017 – FY2021) unaudited financial summary for each fund and account of DOE and HSPLS.

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by DOE and HSPLS during the five-year period under review (FY2017 – FY2021). 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, 2016 to June 30, 2021), 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 FY2016 reported in our last review and opening balances reported for FY2017. We did not audit DOE's or HSPLS' financial data, which we provide 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. 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. 16-11, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawai'i State Public Library System*.

Our review was conducted from August 2021 to November 2021. Recommendations were made where applicable.

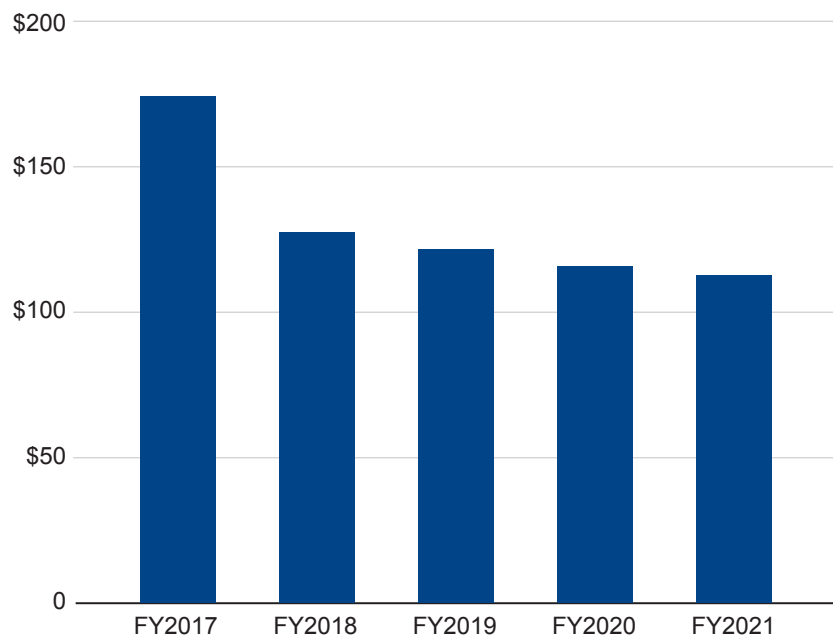
Chapter 2

Department of Education

This chapter presents the results of our review of 16 special funds, 9 revolving funds, 12 trust funds, and 1 trust account of DOE. Funds which had no balances or activity during the review period are not presented. Total fund fiscal year-end balances for DOE amounted to at least \$113 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 the Department of Education
Non-General Funds FY2017 – FY2021 (in millions)



Source: Office of the Auditor

Exhibit 2.2 presents totals for the combined revenue and interest, expenses and transfers, and ending fund balances for the different fund types for FY2021.

In FY2021, the special funds, revolving funds, trust funds, and trust account collected approximately \$26 million and spent or transferred approximately \$30 million.

Exhibit 2.2
Department of Education Fund and Account Totals by Type, FY2021

Fund Type	Revenue and Interest	Expenses and Transfers	FY2021 End Cash Balance
Special Funds	\$3,922,000	\$5,599,000	\$27,715,000
Revolving Funds	5,398,000	9,230,000	18,344,000
Trust Funds/ Trust Accounts	17,229,000	15,288,000	66,689,000
Total	\$26,549,000	\$30,117,000	\$112,748,000

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.

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

Exhibit 2.3
Department of Education Funds Not Meeting Criteria

Fund Name	Fund Type	FY2021 Ending Balance	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
School Community Services (Adult Education)	Trust Fund	\$0	✓				✓
Foundation and Other Grants – Facilities	Trust Fund	0	✓				
Total		\$0					

Source: Office of the Auditor

***After-School Plus
Program Revolving
Fund
(revolving fund)***

***Section 302A-1149.5,
HRS***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$6,251	\$7,107	\$8,176	\$8,813	\$9,044
Revenues	8,516	8,983	9,919	7,061	3,311
Interest	52	49	65	333	57
Expenditures	(7,712)	(7,963)	(9,369)	(7,163)	(3,889)
Transfers	0	0	22*	0	0
Ending Balance	\$7,107	\$8,176	\$8,813	\$9,044	\$8,523
Encumbrances	\$891	\$2,102	\$2,429	\$2,629	\$1,368

*According to DOE, transfers in FY2019 were from an old Program ID (account) that was previously used to track Department of Human Services (DHS) subsidy payments into the main After-School Plus Program 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 2004, the fund is used to administer and operate DOE's After-School Plus Program. Revenues are from enrollment fees (currently a monthly tuition of \$120 per child) and DHS-subsidized tuition reimbursements for qualifying families. Expenditures include personnel costs, supplies, equipment, costs associated with training and technical assistance, and payments to private providers for DHS-subsidized tuition reimbursements.

**Agency Fund (Local
School Fund)
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$25,905	\$25,905	\$25,905	\$28,797	\$30,265
Revenues*	0	0	99,828*	28,193	10,819
Interest	0	0	0	0	0
Expenditures*	0	0	(96,936)*	(26,725)	(11,191)
Transfers	0	0	0	0	0
Ending Balance	\$25,905	\$25,905	\$28,797	\$30,265	\$29,893
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2019 revenues and expenditures incorrectly include activity for FY2017 and FY2018; the department noted this was an inadvertent oversight and stated entries are now being recorded timely. FY2017 revenues were \$32,761,649 and expenditures were \$31,550,876. FY2018 revenues were \$33,713,088 and expenditures were \$32,081,766.

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established. Section 302A-1130, HRS permits public schools to assess, collect, and expend special fees and charges. Administratively established in 1982, the account allows schools to assess, collect, and expend funds for co-curricular activities. Revenues include school registration fees, field trip fees, fundraisers, club dues, sport team concession revenue, athletic activity books, yearbooks, uniforms, student association or student government dues, class dues, and other authorized fees and charges. Expenditures include student activities authorized by the school principal which complement classroom instruction by providing learning experiences that meet individual needs and develop citizenship skills and positive attitudes in less formal educational settings.

***Alu Like, Inc. Grants
(trust fund)******Administratively
established*****Financial Data for Fiscal Years 2017 – 2021 (in thousands)**

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$128	\$134	\$113	\$32	\$17
Revenues	269	243	108	0	0
Interest	0	0	0	0	0
Expenditures	(263)	(264)	(119)	(15)	0
Transfers	0	0	(70)*	0	0
Ending Balance	\$134	\$113	\$32	\$17	\$17
Encumbrances	\$9	\$7	\$13	\$0	\$0

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's financial management system (FMS) and the State's Financial Accounting and Management Information System (FAMIS). Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1992, the fund accounts for grant moneys from Alu Like, Inc.'s Native Hawaiian Vocational Education Program. Expenditures consist of program costs for students of Hawaiian ancestry participating in the Castle High School E Ola Pono Program, a program for students in grades 10-12 that are interested in pursuing health care related careers.

Going forward, support for the Castle High School E Ola Pono Program will be from a federal grant. DOE is in the process of closing the Alu Like, Inc. Grants trust fund and transferring the balance to the State Treasury. (DOE stated that some of the balance in the account is from programs which no longer exist.) A separate account will be opened to account for the federal funds.

***Athletic Trust Fund
(trust fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021*
Beginning Balance	\$1,241	\$1,312	\$1,440	\$1,606	\$1,755
Revenues	825	890	894	702	47
Interest	10	9	13	60	11
Expenditures	(764)	(771)	(740)	(613)	(201)
Transfers	0	0	(1)**	0	0
Ending Balance	\$1,312	\$1,440	\$1,606	\$1,755	\$1,612
Encumbrances	\$132	\$177	\$124	\$50	\$33

*Revenues and expenditures in FY2021 were reduced due to interscholastic athletic events being cancelled as a result of the COVID-19 pandemic.

**According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively created in 1961, the purpose of the fund is to account for funds collected from athletic events. The funds collected from the athletic event-related activities assist in funding the interscholastic athletic program. The beneficiaries are the students who participate in the program. Revenues are from athletic event admission fees, league shares, activity book sales, and donations. Expenditures are for school athletic purposes including supplies, equipment, travel, and other sports program costs.

***Curricular Materials
Fee Special Account
(special fund)***

***Section 302A-1130.6,
HRS***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$1,478	\$1,524	\$1,552	\$1,508	\$1,581
Revenues	154	135	137	92	79
Interest	11	10	13	56	9
Expenditures	(119)	(117)	(170)	(75)	(56)
Transfers	0	0	(24)*	0	0
Ending Balance	\$1,524	\$1,552	\$1,508	\$1,581	\$1,613
Encumbrances	\$24	\$85	\$30	\$9	\$6

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

In our prior Report No. 16-11 this fund was titled "Textbook and Instructional Materials Fee Special Account." Act 112 (SLH 2016) changed the fund name to "Curricular Materials Fee Special 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 2004, the fund is used to deposit fees and charges collected from students or their parents or guardians for the loss, destruction, breakage, or damage of curricular materials. Act 112 (SLH 2016) changed the fund name and added a new definition for curricular materials. Curricular materials is defined as any systematically organized material designed to provide a specific level of instruction in any subject-matter category. This included not only school textbooks, library books, and equipment but also computer software, digital content accessed through a computer or other electronic medium, digital content available through an internet-based provider of course content, or supplies used in a particular course of study. Expenditures include costs associated with purchasing, replacing, or repairing of curricular materials.

**Department of
Education Federal
Revenue Maximization
Program Revolving
Fund
(revolving fund)**

**Section 302A-1406,
HRS**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$887	\$1,108	\$1,154	\$1,381	\$1,410
Revenues	590	724	334	830	1,184
Interest	6	6	9	50	7
Expenditures	(375)	(684)	(116)	(851)	(1,305)
Transfers	0	0	0	0	0
Ending Balance	\$1,108	\$1,154	\$1,381	\$1,410	\$1,296
Encumbrances	\$4	\$0	\$3	\$52	\$7

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 2006, the fund is used to enhance the health and welfare of Hawai‘i’s public school children through the collection and disbursement of Medicaid-generated revenue to support the administration and operations of DOE’s Federal Revenue Maximization Program. Revenues are from Medicaid reimbursements and interest earned on fund investments. Expenditures include operational expenses such as salaries and fringe benefits for program staff; consultants to assist in program development and implementation; third-party administration costs for claims processing; quarterly required Random Moment Time Studies; intergovernmental match requirements; and the equipment, supplies, training, and other related costs necessary for the program’s operation.

**Donations – Facilities
(trust fund)****Administratively
established****Financial Data for Fiscal Years 2017 – 2021 (in thousands)**

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$0	\$49	\$58	\$9	\$18,743
Revenues	49	9	0	2,383	2,083
Interest	0	0	0	561	106
Expenditures	0	0	(49)	0	0
Transfers	0	0	0	15,790*	0
Ending Balance	\$49	\$58	\$9	\$18,743	\$20,932
Encumbrances	\$49	\$58	\$9	\$0	\$0

*The moneys in this fund were previously included in Account T-902 Donations. In FY2017, the department separated the fund into two accounts, T-902 Donations – Operations, and T-903 Donations – Facilities. The moneys belonging to T-903 were transferred in FY2020 to account for donations belonging to DOE facilities. An audit by the Office of the Auditor previously found Fair Share contributions received from developers and school impact fees paid by taxpayers were held in a “T-902: Donations & Gifts” fund, and that moneys earmarked for fair share projects were not earning interest. (See Report No. 19-13, *Audit of the Department of Education’s Administration of School Impact Fees*)

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, the fund accounts for Fair Share contributions and school impact fees collected from developers on all new residential developments located within districts where existing school facilities will not be able to meet the additional demand created. The beneficiaries are the schools and students located within the districts that have been impacted by development. Revenues are from Fair Share contributions from projects with an executed agreement with the developer and school impact fees authorized by the Board of Education. The fund is used to finance, in part, the construction or expansion of existing school facilities to meet the additional demand created by the new residential developments.

***Donations – Operating
(trust fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$11,346	\$14,247	\$15,829	\$17,770	\$2,173
Revenues	4,167	2,607	2,671	1,069	1,374
Interest	95	92	124	69	13
Expenditures	(1,363)	(1,118)	(952)	(945)	(845)
Transfers*	2	1	98	(15,790)	456
Ending Balance	\$14,247	\$15,829	\$17,770	\$2,173	\$3,171
Encumbrances	\$251	\$116	\$66	\$34	\$209

*FY2017 transfer from T-913 Foundation and Other Grants for correction.

FY2018 transfer from T-913 Foundation and Other Grants for correction.

According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

FY2020 transfer to T-903 Donations – Facilities to create separate trust fund.

FY2021 transfer from T-913 Foundation and Other Grants for correction.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1961, the fund is used to account for donations and gifts, received by schools for specific purposes. The beneficiaries are the schools that receive the funds and the students they serve. Expenditures vary by school and purpose for which donations were made.

Education Design and Construction Project Assessment Fund (revolving fund)

Section 302A-1508, HRS

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$3,098	\$3,184	\$2,626	\$2,797	\$5,589
Revenues	2,184	1,872	2,874	4,574	0
Interest	18	15	18	134	30
Expenditures	(2,116)	(2,445)	(2,721)	(1,916)	(2,295)
Transfers	0	0	0	0	0
Ending Balance	\$3,184	\$2,626	\$2,797	\$5,589	\$3,324
Encumbrances	\$785	\$1,047	\$1,255	\$2,058	\$1,569

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 2005, the fund is used by DOE to support the management, administration, and coordination of capital improvement, repairs and maintenance, and alteration projects. The fund was established by Section 302A-1508, HRS, for the purpose of (1) defraying the costs of carrying out construction projects managed by the department, (2) to manage funds representing accumulated vacation and sick leave credits and retirement benefits for non-general fund employees in the construction program, (3) for equitably collecting and distributing moneys for other current expenses associated with capital improvement, repairs and maintenance, and repairs and alterations projects, and (4) for managing payments for employee transportation requirements such as car mileage reimbursements. Revenues are from assessments of 1% against design and construction funds for capital improvement projects. Expenditures disbursed from FY2017 through FY2021 included operating expenses tied to staff that work on construction projects, including travel, mileage reimbursement, office supplies and furniture, and technology-related contracts to improve and facilitate planning and construction activities.

***Education Research
and Development
Revolving Fund
(revolving fund)***

***Section 302A-305, HRS
(repealed by Act 2,
SLH 2017)***

Financial Data for Fiscal Year 2017 (in thousands)

	FY2017
Beginning Balance	\$92
Revenues	0
Interest	0
Expenditures	(91)
Transfers	(1)
Ending Balance	\$0
Encumbrances	\$0

This fund was closed in 2017 and the remaining balance transferred to the State General Fund. Statutorily established in 2001, the fund was used to deposit revenues from the commercial exploitation of products and services developed by the department. Moneys were used to support research and development activities within the department that result in innovative curriculum, instructional materials, and information systems that can be marketed and sold to consumers outside the system. According to DOE, expenditures were used to support research and development of innovative curriculum, instructional aids, related technologies, and “administrative costs of seeking and maintaining such commercialization.”

In 2016, the Office of the Auditor recommended that the fund be repealed since it had not generated any revenues from the sale of products and services in the prior five years, and therefore failed to meet the self-sustaining criteria for a revolving fund.

***Families for R.E.A.L.
Program
(special fund)***

***Administratively
established***

Financial Data for Fiscal Year 2017 (in thousands)

	FY2017
Beginning Balance	\$4
Revenues	0
Interest	0
Expenditures	0
Transfers	(4)
Ending Balance	\$0
Encumbrances	\$0

This fund was closed in 2017 and the remaining balance was transferred to DOE's Emergency and Budget Reserve Fund. Administratively established in 2017, the fund was used to administer a \$300,000 appropriation made to the Families for Resources and Early Access to Learning (R.E.A.L.) Program. The Families for R.E.A.L. Program provided classes to parents for nurturing and teaching young children (birth to age 4). Expenditures included salary and fringe costs for four elementary school teacher positions.

**Federal Grants
Revolving Fund
(revolving fund)**

**Section 302A-1405,
HRS**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$1,579	\$579	\$596	\$680	\$827
Revenues	7	72	185	167	113
Interest	10	4	5	22	4
Expenditures	(1,017)	(59)	(112)	(42)	(73)
Transfers	0	0	6*	0	0
Ending Balance	\$579	\$596	\$680	\$827	\$871
Encumbrances	\$13	\$84	\$52	\$93	\$125

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 2000, the fund is used to (1) support the Office of the Superintendent's search for discretionary grants, (2) develop program applications to secure additional revenues for the department, (3) monitor grant execution, (4) ensure compliance with grant requirements, and (5) audit grant expenditures. Revenues are from indirect costs assessed on discretionary competitive federal grants awarded to the department. Expenditures include staff positions and operating expenses to search for grants, provide technical assistance, and ensure compliance.

***Felix Stipend Program
Special Fund
(special fund)***

Section 302A-707, HRS

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$355	\$498	\$644	\$755	\$862
Revenues*	147	204	114	96	73
Interest	3	3	4	26	5
Expenditures	(7)	(61)	(7)	(15)	(234)
Transfers	0	0	0	0	0
Ending Balance	\$498	\$644	\$755	\$862	\$706
Encumbrances	\$90	\$50	\$50	\$165	\$165

*According to the department, revenues have been “leveling off” because fewer students are defaulting on contractual obligations.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. The Felix Stipend Program provides ongoing tuition assistance for qualified candidates who enroll at the University of Hawai‘i in special education teacher programs at the undergraduate, post-baccalaureate, and graduate levels in exchange for their agreement to work for DOE for a period of three to five years immediately following completion of their teacher preparation program. Statutorily established in 2007, the Felix Stipend Program Special Fund is used to deposit moneys received as repayment from students who breach contractual agreements under the Felix Stipend Program. Revenues are from the collection of recovered funds from tuition stipend recipients who have defaulted on their obligation to work as special education teachers in public schools. Expenditures include additional tuition stipends to support the development of licensed special education teachers who commit to working in public schools for a minimum of 3 years.

***Foundation and Other
Grants – Facilities
(trust fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)					
	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund no longer serves the purpose for which it was created and should be closed. Administratively established in FY2017, the purpose of the fund is to receive and manage foundation and other grants received by the department specifically designated for school facilities. The beneficiaries are schools that receive the funds and the students they serve. The fund has had no activity since its creation.

***Foundation and Other
Grants – Operating
(trust fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$9,081	\$7,667	\$7,374	\$12,556	\$8,318
Revenues	3,547	2,592	11,550	3,436	1,646
Interest	64	48	62	415	50
Expenditures	(5,024)	(2,932)	(6,422)	(8,089)	(1,951)
Transfers*	(1)	(1)	(8)	0	(456)
Ending Balance	\$7,667	\$7,374	\$12,556	\$8,318	\$7,607
Encumbrances	\$1,330	\$1,413	\$5,838	\$298	\$366

*Transfers in FY2017, FY2018, and FY2019 to T-902 Donations – Operating for correction. FY2021 transferred to T-902 Donations – Operating for correction.

According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1961, the fund is used to account for grants received from foundations, other nonprofit organizations, and other state agencies for various projects. The beneficiaries are schools that receive the funds and the students they serve. Expenditures are made in accordance with terms specified in the individual grant.

The fund was renamed from "Foundation and Other Grants" to "Foundation and Other Grants - Operating" by DOE in 2017.

***Hawai'i Teacher
Standards Board
Special Fund
(special fund)***

***Section 302A-806, HRS
(repealed by Act 161,
SLH 2019)***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$1,699	\$895	\$908	\$1,258	\$0
Revenues	464	1,059	979	0	1
Interest	12	6	7	0	0
Expenditures	(1,280)	(1,052)	(630)	(1,258)**	(1)
Transfers	0	0	(6)*	0	0
Ending Balance	\$895	\$908	\$1,258	\$0	\$0
Encumbrances	\$108	\$59	\$124	\$0	\$0

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

**The fund was closed in FY2020 and the remaining balance was transferred to the State General Fund.

This fund was closed in 2019 and the remaining balance was transferred to the State General Fund. Act 116 (SLH 2019) appropriated general funds to replace this special fund. Statutorily established in 1996, the fund was used to support the Hawai'i Teacher Standards Board which establishes standards governing teacher licensing and credentialing within the department. Revenues were from teacher licensing fees. Expenditures included the Board's personnel costs and operating expenses.

**Office of Hawaiian
Affairs — Ceded Land
Proceeds
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$84	\$82	\$78	\$80	\$87
Revenues	119	110	126	98	20*
Interest	0	0	0	0	0
Expenditures	(121)	(114)	(124)	(91)	(20)
Transfers	0	0	0	0	0
Ending Balance	\$82	\$78	\$80	\$87	\$87
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FY2020 and FY2021 revenues declined due to the COVID-19 pandemic. DOE suspended all third-party use of school facilities events. Rental fee income and assessment fees have been significantly reduced.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 2003, the fund is used to temporarily deposit assessment fees collected by DOE from the rental of DOE facilities located on ceded lands. Moneys are then remitted to the Office of Hawaiian Affairs on a quarterly basis for the betterment of conditions for the Native Hawaiians who are the beneficiaries. Revenues are from assessment fees from the rental of various DOE facilities located on public trust lands. Expenditures include the quarterly remittance of the assessment fees from rental of various DOE facilities located on public trust lands to the Office of Hawaiian Affairs.

**Office of Hawaiian
Affairs – Grants
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$424	\$411	\$395	\$340	\$332
Revenues	0	0	0	0	0
Interest	0	0	0	12	3
Expenditures	(13)	(16)	(38)	(20)	(19)
Transfers	0	0	(17)*	0	0
Ending Balance	\$411	\$395	\$340	\$332	\$316
Encumbrances	\$4	\$0	\$0	\$3	\$0

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1991, the fund accounts for grants from the Office of Hawaiian Affairs to support tutorial and other educational projects at various DOE schools. Beneficiaries include staff and students of DOE's Hawaiian Language Immersion Program. Current revenues are from interest income. Expenditures must meet the purposes of the funding sources to provide learning opportunities for students and professional development opportunities for staff.

**‘Ōlelo — Educational
Program Public TV
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$1,152	\$1,404	\$1,717	\$2,001	\$2,392
Revenues	753	791	811	826	832
Interest	8	9	12	68	13
Expenditures	(509)	(487)	(539)	(503)	(581)
Transfers	0	0	0	0	0
Ending Balance	\$1,404	\$1,717	\$2,001	\$2,392	\$2,656
Encumbrances	\$49	\$56	\$9	\$33	\$43

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1992 to account for funds received under contract with Olelo: The Corporation for Community Television, the fund is used by DOE’s Video Production Section to support enhanced use of information and telecommunication systems and services in education by providing access to educational content 24 hours a day, seven days a week. The beneficiaries are DOE employees, students and the broader community. Revenues are from a proportionate share of the annual franchise access fees on all Cable TV subscriptions received by ‘Ōlelo Community TV and provided to the Hawai‘i Educational Networking Consortium (HENC). Expenditures include salaries and operational costs of the ‘Ōlelo Educational Program Public TV Program and the Akaku Maui Community Television Program for the purchase, development, and statewide broadcast of elementary, secondary, and staff professional development video content.

***Out-of-school Time
Instructional Program
Fund
(special fund)***

***Section 302A-1310,
HRS***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$1,709	\$1,786	\$1,474	\$1,808	\$1,529
Revenues	1,754	1,450	2,151	1,332	378
Interest	6	6	7	35	6
Expenditures	(1,683)	(1,769)	(1,728)	(1,646)	(802)
Transfers*	0	1	(96)	0	0
Ending Balance	\$1,786	\$1,474	\$1,808	\$1,529	\$1,111
Encumbrances	\$73	\$115	\$136	\$13	\$42

*Transfers in FY2018 were from S-325 Use of School Facilities Fund to clear a miscellaneous difference.

According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

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, the fund is used to support summer school programs and intersession programs for year-round schools. Revenues are from registration, tuition, testing fees, and investment pool earnings. Expenditures include the hiring of teachers, support staff, student helpers, and various non-payroll expenses.

***Private Trade,
Vocational, and
Technical School
Licensure Special Fund
(special fund)***

***Section 302A-425.5,
HRS***

Financial Data for Fiscal Years 2018 – 2021 (in thousands)

	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$0	\$55	\$50	\$46
Revenues	55	6	36	0
Interest	0	0	2	0
Expenditures	0	(11)	(42)	(46)
Transfers	0	0	0	0
Ending Balance	\$55	\$50	\$46	\$0
Encumbrances	\$0	\$3	\$0	\$0

This fund serves the purpose for which it was created but does not meet the self-sustaining criteria for a special fund as the department has not generated sufficient revenues to pay for the half-time position that supports the program. According to the department, the 2021 Legislature abolished the fund effective July 1, 2021, and, going forward, will provide general funds for the required position.

Statutorily established in 2017, the fund is used to support the licensing of private trade, vocational, and technical schools. Revenues are from bi-annual licensing fees collected from subject institutions. Expenditures include salaries and administrative and operational costs.

***Regular Instruction –
Industrial Pursuits
(special fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)					
	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$32	\$32	\$32	\$32	\$11
Revenues	0	0	0	1	0
Interest	0	0	0	0	0
Expenditures	0	0	0	(22)	(11)
Transfers	0	0	0	0	0
Ending Balance	\$32	\$32	\$32	\$11	\$0
Encumbrances	\$0	\$0	\$0	\$11	\$0

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Administratively established in 1921, the fund is used to support the Lahainaluna High School Boarding Department. Lahainaluna High School can accommodate up to a maximum of 118 student boarders who work 18 hours per week on campus and at the school farm in exchange for meals and lodging. Revenues are from the sale of agricultural products and investment pool earnings. The funds are used to help to pay for the costs of running the program.

The fund was renamed from “Regular Instruction – High School” to “Regular Instruction – Industrial Pursuits” by DOE in 2020.

The department has stated that the program which was supported by this fund is being redescribed to encompass commercial activities undertaken by students within DOE schools. The Lahainaluna High School Boarding Department program is being moved into the department’s general funds. The program ID 16500 is being changed to include commercial enterprises.

***School Bus Fare
Revolving Fund
(revolving fund)***

***Section 302A-407.5,
HRS***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$3,058	\$2,384	\$2,643	\$3,086	\$3,866
Revenues	2,579	2,326	2,687	2,302	232
Interest	22	16	24	131	25
Expenditures	(3,275)	(2,083)	(2,282)	(1,653)	(1,367)
Transfers	0	0	14*	0	0
Ending Balance	\$2,384	\$2,643	\$3,086	\$3,866	\$2,756
Encumbrances	\$1,004	\$991	\$606	\$74	\$10

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 2002, the fund is used to support student transportation services. Revenues are from school bus pass application fees. Expenditures consist of school bus transportation services, city bus passes, and administrative program expenses.

***School Community
Services (Adult
Education)
(special fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$449	\$437	\$442	\$493	\$523
Revenues	198	143	148	117	37
Interest	3	3	3	17	3
Expenditures	(213)	(141)	(120)	(104)	(49)
Transfers	0	0	20*	0	0
Ending Balance	\$437	\$442	\$493	\$523	\$514
Encumbrances	\$3	\$6	\$1	\$2	\$1

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Administratively established in 1970, the fund is used to support the adult and community education program. Revenues are from student enrollment, testing and laboratory fees, and investment pool earnings. Expenditures include instructor salaries and program expenses.

***School Community
Services (Adult
Education)
(trust fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund no longer serves the purpose for which it was created and should be closed. Administratively created in 2011, the fund was established to collect revenues from student testing and enrollment fees in anticipation of a reduction in State General Fund support for DOE's Adult and Community School Program. Fees collected from the Adult Education Program are being deposited into the School Community Services (Adult Education) special fund. No revenues or expenditures have been placed in or out of the fund since its creation.

The department's Adult Education program includes a variety of courses for adult learners, with integrated programs and services in the areas of basic education, Hawai'i adult community school diploma, family literacy, citizenship, workforce education, and life enhancement.

In our prior review we recommended that the fund be closed as it did not serve the purpose for which it was created. The School Community Services (Adult Education) trust fund should be closed.

**School-Level
Minor Repairs and
Maintenance Special
Fund
(special fund)**

**Section 302A-1504.5,
HRS**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$36	\$6	\$76	\$71	\$128
Revenues	75	77	139	61	75
Interest	1	0	1	4	1
Expenditures	(106)	(7)	(145)	(8)	(4)
Transfers	0	0	0	0	0
Ending Balance	\$6	\$76	\$71	\$128	\$200
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 2001, the fund is used to receive funds collected by the Department of Taxation for school-level minor repairs and maintenance. Pursuant to Section 235-102.5, HRS, any individual whose income tax refund for the taxable year is \$2 or more may designate \$2 of the refund to be deposited into the School Level Minor Repairs and Maintenance Special Fund. The funds are then transferred to the Hawai‘i 3R’s school improvement fund which uses the moneys to address the repair and maintenance backlog facing Hawai‘i’s public schools. Hawai‘i 3R expends the moneys from this fund in the form of grants or contracts with private vendors for the improvement of public schools.

School Lunch Fund (special fund)

Section 302A-405, HRS

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$5,707	\$10,165	\$6,915	\$5,566	\$530
Revenues	23,671	23,409	23,059	19,058	2,791**
Interest	40	49	49	195	13
Expenditures	(19,253)	(26,708)	(24,840)	(24,289)	(1,944)
Transfers	0	0	383*	0	0
Ending Balance	\$10,165	\$6,915	\$5,566	\$530	\$1,390
Encumbrances	\$1,339	\$1,886	\$888	\$595	\$180

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

**Due to the statewide COVID-19 lockdown from March 2020 through the end of the 2020/2021 school year, revenue collections ceased.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1960, the fund is used to support the School Food Services Program which ensures Hawai'i's students are provided with high quality, nutritious, and affordable meals. Revenues are from the sale of lunch, breakfast, and snacks primarily to students who pay either regular or reduced prices, as well as sales to teachers and others. Expenditures consist primarily of food and supply costs.

**Settlements
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)					
	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$369	\$371	\$373	\$376	\$11
Revenues	0	0	0	0	146
Interest	2	2	3	11	0
Expenditures	0	0	0	(376)	(16)
Transfers	0	0	0	0	0
Ending Balance	\$371	\$373	\$376	\$11	\$141
Encumbrances	\$0	\$0	\$376	\$0	\$0

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 receives monetary awards pursuant to court-approved settlements, generally for the benefit of public schools and their students. Funds are expended in accordance with the settlement agreements, generally for the benefit of public schools and their students.

**Settlements – Facilities
(trust fund)****Administratively
established****Financial Data for Fiscal Years 2017 – 2021 (in thousands)**

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$0	\$143	\$5,940	\$1,403	\$656
Revenues	143	6,267	0	217	62
Interest	0	0	0	29	3
Expenditures	0	(470)	(4,537)	(993)	(464)
Transfers	0	0	0	0	0
Ending Balance	\$143	\$5,940	\$1,403	\$656	\$257
Encumbrances	\$143	\$4,395	\$1,403	\$387	\$129

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, the fund is used as a depository for monetary awards received by the department's Office of Facilities and Operations pursuant to insurance claims and court-approved settlement agreements, generally for the benefit of public schools and their students. Revenues are from insurance payments and court-approved settlement agreements. Expenditures include construction project costs specifically related to the insurance claims and settlements.

**State Educational
Facilities Improvement
Special Fund
(special fund)**

**Section 36-32, HRS
(repealed by Act 72,
SLH 2020)**

Financial Data for Fiscal Years 2017 – 2021 (in thousands)					
	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$133,375	\$87,252	\$34,368	\$21,142	\$17,145
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	(26,915)	(2,310)	0	0
Transfers*	(46,123)	(25,969)	(10,916)	(3,997)	(954)
Ending Balance	\$87,252	\$34,368	\$21,142	\$17,145	\$16,191
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers are to the separate sub-accounts for the individual schools' capital improvement projects.

This fund was repealed by Act 72 (SLH 2020). The Act also provided that the remaining balance in the State Educational Facilities Improvement (SEFI) Special Fund was to be transferred to the newly established School Facilities Special Fund on September 15, 2020. However, the department continues to use the fund for ongoing projects that were funded through SEFI and anticipates that the cash balance and unliquidated encumbrances should be exhausted by the end of FY2023.

Created in 1989, the fund is used solely to plan, design, acquire lands for, and construct public school facilities; and to provide equipment and technology infrastructure to improve public schools and other facilities under the jurisdiction of the department, except public libraries. Revenues are from legislative appropriations and general obligation bond funds.

***State School Revolving
Fund (Adult Education)
(revolving fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$496	\$517	\$545	\$568	\$600
Revenues	138	118	102	54	28
Interest	4	3	4	21	4
Expenditures	(121)	(93)	(62)	(43)	(22)
Transfers	0	0	(21)*	0	0
Ending Balance	\$517	\$545	\$568	\$600	\$610
Encumbrances	\$12	\$29	\$6	\$1	\$15

*According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Administratively established in 1970, the fund is used to provide financial support for the adult and community education program. Revenues are from enrollment fees, instructional materials, and investment pool earnings. Expenditures include the costs of printed materials, textbooks, and other student supplies.

**Teachers' Housing
Revolving Fund
(revolving fund)**

Section 302A-833, HRS

Financial Data for Fiscal Years 2017 – 2021 (in thousands)					
	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$352	\$341	\$502	\$600	\$840
Revenues	338	394	354	466	397
Interest	3	2	3	22	5
Expenditures	(352)	(235)	(259)	(248)	(279)
Transfers	0	0	0	0	0
Ending Balance	\$341	\$502	\$600	\$840	\$963
Encumbrances	\$21	\$15	\$18	\$17	\$13

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 2005, the fund is used to support DOE's Teacher Housing Program which provides housing for teachers assigned to schools in geographically remote areas. Revenues are from the collected rents, refunds, and reimbursements from the teacher housing program. Expenditures are for the operation and maintenance of the teacher housing and program costs.

***Use of School Facilities
Fund
(special fund)***

***Section 302A-1148,
HRS***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$4,997	\$5,944	\$6,518	\$6,676	\$7,035
Revenues	2,472	2,262	2,446	1,857	412
Interest	39	37	51	241	40
Expenditures	(1,565)	(1,724)	(2,040)	(1,739)	(1,497)
Transfers*	1	(1)	(299)	0	0
Ending Balance	\$5,944	\$6,518	\$6,676	\$7,035	\$5,990
Encumbrances	\$436	\$581	\$465	\$420	\$236

*Transfers in FY2017 were from S-348 Education Research and Development Fund which was closed. The funds were then transferred to the General Fund.

Transfers in FY2018 were to S-323 Out-of-school Time Instructional Program Fund to clear a miscellaneous difference.

According to DOE, transfers in FY2019 were posting adjustments to clear unidentified reconciliation differences between DOE's FMS and the State's FAMIS. Reconciliation differences were static for at least 5 years.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1982, the fund is used to collect fees and charges from the use of school buildings, facilities, grounds, and equipment for non-DOE recreational and community purposes. Expenditures include payment of custodial services, replacement of custodial and janitorial supplies, and the repair, maintenance, and replacement of equipment used.

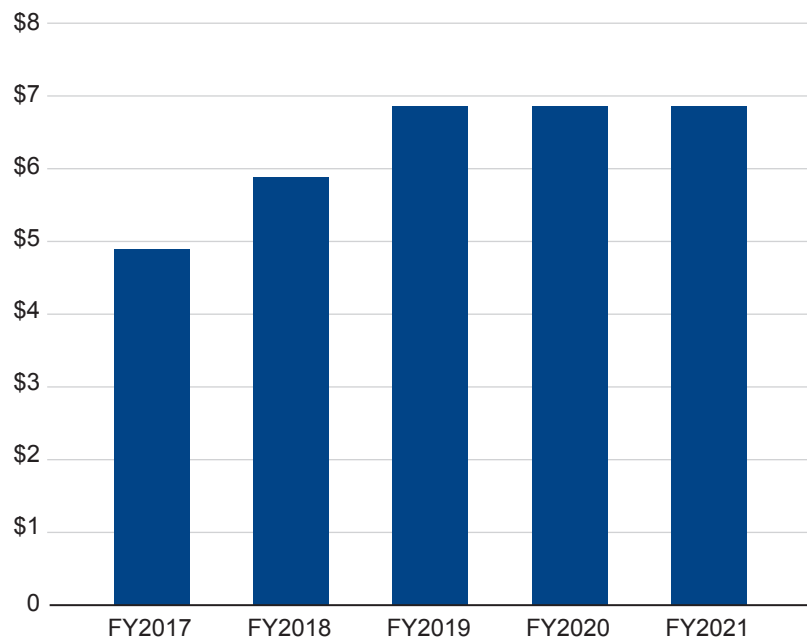
Chapter 3

Hawai‘i State Public Library System

This chapter presents the results of our review of 2 special funds, 2 trust funds, and 2 trust accounts of the HSPLS. Funds which had no balances or activity during the review period are not presented. Total fund fiscal year-end balances amounted to at least \$5 million per year during the period reviewed.

Exhibit 3.1 summarizes the totals for these fund balances at the end of each fiscal year.

Exhibit 3.1
Cash Balances for HSPLS Non-General Funds
FY2017 – FY2021 (in millions)



Source: Office of the Auditor

In FY2021, the special funds, revolving funds, trust funds, and trust accounts collected approximately \$1.1 million and spent or transferred more than \$1.4 million.

Exhibit 3.2 presents totals for the combined revenue and interest, expenses, transfers, and ending fund balances for the different fund types for FY2021.

Exhibit 3.2
HSPLS Fund and Account Totals by Type, FY2021

Fund Type	Revenue and Interest	Expenses and Transfers	FY2021 End Cash Balance
Special Funds	\$468,000	\$1,294,000	\$2,800,000
Revolving Funds	0	0	0
Trust Funds/ Trust Accounts	645,000	112,000	3,889,000
Total	\$1,113,000	\$1,406,000	\$6,689,000

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.

***Donations and Gift
(trust fund)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)*

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$1,596	\$1,983	\$2,712	\$2,794	\$2,925
Revenues	511	832	179	144	621
Interest	13	13	22	102	19
Expenditures	(137)	(116)	(119)	(115)	(112)
Transfers	0	0	0	0	0
Ending Balance	\$1,983	\$2,712	\$2,794	\$2,925	\$3,453
Encumbrances	\$2	\$8	\$8	\$27	\$6

*This fund is a consolidation of accounts: T-906 O‘ahu, T-907 HSPLS Computer Supplies, T-911 Kaua‘i and Maui, T-912 Hawai‘i, and T-917 HSL & LBPH.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. Administratively established in 1962, the fund is used to receive private donations designated for the support of operations at public libraries. Expenditures include the purchase of books and library materials, and to provide programs and services for the Hawai‘i Public Library System.

***Friends of the Library
of Hawai'i Program
Fund
(trust fund)***

Section 312-3.7, HRS

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$369	\$399	\$402	\$404	\$419
Revenues	31	0	0	7	1
Interest	3	3	3	8	2
Expenditures	(4)	0	(1)	0	0
Transfers	0	0	0	0	0
Ending Balance	\$399	\$402	\$404	\$419	\$422
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. Statutorily established in 1993, the fund supports state library programs. Revenues are allocations from the Friends of the Library of Hawai'i (FoLH), a nonprofit organization whose primary objective is to maintain free public libraries in the State. FoLH receives donations from individuals, various fundraising activities, and revenues from copier machine fees. Expenditures include costs related to library programs supported by FoLH.

***Hawai'i Public Library
Payroll Collections
(trust account)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)					
	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$0	\$3	\$4	\$4	\$4
Revenues	3	1	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$3	\$4	\$4	\$4	\$4
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established. Administratively created in 1996, the account is used as a temporary holding account to deposit partial collections of salary overpayments from employees. When the total overpayment is collected, funds are transferred to the Department of Accounting and General Services.

***Library Fee for
Enhanced Services
Special Fund
(special fund)***

Section 312-22, HRS

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$2,323	\$1,237	\$1,428	\$1,976	\$2,202
Revenues	897	856	908	687	149
Interest	14	9	6	50	12
Expenditures	(1,997)	(674)	(366)	(511)	(650)
Transfers	0	0	0	0	0
Ending Balance	\$1,237	\$1,428	\$1,976	\$2,202	\$1,713
Encumbrances	\$92	\$89	\$63	\$11	\$45

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1993, the fund is used to collect and deposit various fees for enhanced library services including video rental fees, passport application fees, room rentals, library cards, book bags, photocopying, custom research, and test proctoring. Expenditures include the costs of operating the enhanced services program and purchasing of library books and materials.

***Libraries Special Fund
(special fund)***

Section 312-3.6, HRS

Financial Data for Fiscal Years 2017 – 2021 (in thousands)					
	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$1,558	\$1,084	\$1,650	\$2,028	\$1,425
Revenues	864	753	863	625	299
Interest	10	7	9	48	8
Expenditures	(1,348)	(194)	(494)	(1,276)	(644)
Transfers	0	0	0	0	0
Ending Balance	\$1,084	\$1,650	\$2,028	\$1,425	\$1,088
Encumbrances	\$42	\$4	\$36	\$95	\$62

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 to deposit moneys collected from late charges for overdue library materials, collection agency recoveries, investment pool earnings, and donations. Expenditures include the purchase of books and materials for public libraries.

***Risk Management
– Fire and Casualty
Losses
(trust account)***

***Administratively
established***

Financial Data for Fiscal Years 2017 – 2021 (in thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning Balance	\$7	\$7	\$7	\$7	\$7
Revenues	1	0	0	0	3
Interest	0	0	0	0	0
Expenditures	(1)	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$7	\$7	\$7	\$7	\$10
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established. Administratively established in 2008 as a trust account related to the State Risk Management Revolving Fund, the account is used to temporarily hold insurance settlements of claims and losses. The moneys are subsequently used to replace or repair property that was lost or damaged.

Chapter 4

Observations on the Department of Education and the Hawai‘i State Public Library System’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.

The Department of Education and the Hawai‘i State Public Library System Did Not Report Non-General Funds as Required by Law

During our review of DOE and HSPLS non-general funds, we noted noncompliance with statutory requirements required by Section 37-52.5, HRS.

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.

We did not identify any issues related to reporting required by Section 37-47, HRS.

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.

As shown in Exhibit 4.1, DOE had non-general funds that were administratively created with balances totaling approximately \$67.6 million that were not reported to the Legislature as required by Sections 37-52.5, HRS.

Exhibit 4.1
DOE Administratively Created Non-General Funds Not Reported to the Legislature

Fund Name	Fund Type	HRS 37-52.5 (Admin Created)	FY2021 Ending Balance (rounded)
State School Revolving Fund (Adult Education)	Revolving Fund	✓	\$610,000
Regular Instruction Industrial Pursuits	Special Fund	✓	0
School Community Services (Adult Education)	Special Fund	✓	514,000
Office of Hawaiian Affairs – Ceded Land Proceeds	Trust Fund	✓	87,000
Office of Hawaiian Affairs – Grants	Trust Fund	✓	316,000
Donations - Facilities	Trust Fund	✓	21,000,000
Donations - Operating	Trust Fund	✓	3,171,000
Foundation and Other Grants - Facilities	Trust Fund	✓	0
Foundation and Other Grants – Operating	Trust Fund	✓	7,607,000
Athletic Trust Fund	Trust Fund	✓	1,612,000
‘Ōlelo – Educational Program Public TV	Trust Fund	✓	2,656,000
School Community Services (Adult Education)	Trust Fund	✓	0
Alu Like, Inc. Grants	Trust Fund	✓	17,000
Settlements - Operating	Trust Fund	✓	141,000
Settlements - Facilities	Trust Fund	✓	257,000
Agency Fund (Local School Fund)	Trust Fund	✓	29,893,000
Total			\$67,881,000

Source: Office of the Auditor

As shown in Exhibit 4.2, HSPLS had non-general funds that were administratively created with balances totaling approximately \$3.5 million that were not reported to the Legislature as required by Sections 37-52.5, HRS.

Exhibit 4.2
HSPLS Administratively Created Non-General Funds Not Reported to the Legislature

Fund Name	Fund Type	HRS 37-52.5 (Admin Created)	FY2021 Ending Balance (rounded)
Donations and Gifts	Trust Fund	✓	\$3,453,000
Hawai'i Public Library Payroll Collections	Trust Account	✓	4,000
Risk Management	Trust Account	✓	10,000
Total			\$3,467,000

Source: Office of the Auditor



The Office of the Auditor's Comments on Responses from the Department of Education and the Hawai'i State Public Library System

Comments on Agencies' Responses

WE TRANSMITTED a draft of this review to the Department of Education (DOE) and the Hawai'i State Public Library System (HSPLS) on January 12, 2022. DOE and HSPLS provided separate written responses to the draft report on January 21, 2022, both of which are attached in their entirety (Attachments 1 (DOE) and 2 (HSPLS)).

DOE acknowledged our recommendations related to two trust funds and will work to close the funds. Regarding DOE's non-compliance with Section 37-52.5, Hawai'i Revised Statutes (HRS), DOE stated it will submit annual notification per Section 37-52.5, HRS, for the funds referenced starting with the 2023 Legislative Session. DOE stated it will consult with the Department of Budget and Finance as to the form in which the notification is to be provided.

HSPLS acknowledged it had not filed reports required by Section 37-52.5, HRS and stated it will take steps to meet the annual reporting requirement.

DAVID Y. IGE
GOVERNOR



KEITH T. HAYASHI
INTERIM SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

January 20, 2022

TO: The Honorable Leslie H. Kondo
State Auditor, Office of the Auditor

FROM: Keith T. Hayashi 
Interim Superintendent

SUBJECT: **Response to the Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawaii State Public Library System**

The Hawaii State Department of Education (Department) appreciates the opportunity to respond to the *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawaii State Public Library System*.

We would first like to express our sincere appreciation to your staff for the time committed to conducting this periodic review, the willingness to work with Department staff to be as efficient as possible to compile the required information, and this opportunity to provide comments.

The Department concurs with the recommendations in Chapter 2, that the Foundation and Other Grants - Facilities Trust Fund (T-914) and School Community Services (Adult Education) Trust Fund (T-921) be closed due to a lack of use. The T-914 fund does not have an appropriation ceiling, and may be closed by the Department. The T-921 fund has an appropriation ceiling in EDN500 of \$2.26 million, therefore the Department will need to coordinate with the Legislature to close the fund.

With regards to the noted non-compliance with Section 37-52.5, Hawaii Revised Statutes (HRS) in Chapter 4, the Department's stance on the majority of those funds characterized as "administratively established funds" has been that those funds were established pursuant to the statutory authority cited in the reports prepared annually per the requirements of Section 37-47, HRS. While recognizing that historically there has been a

AN AFFIRMATIVE ACTION AND EQUAL OPPORTUNITY EMPLOYER

The Honorable Leslie H. Kondo
January 20, 2022
Page 2

different interpretation of the statutory authority than what is contained in this report, the Department acknowledges that starting with the 2023 Legislative Session it will submit annual notification per Section 37-52.5, HRS for the funds referenced. Recognizing that there is no standard format such that used for the Section 37-47, HRS report, the Department will consult with the Department of Budget and Finance as to the form in which the notification will be provided.

In closing, should you or your audit team have additional questions or need for additional information, please feel free to contact Brian Hallett, Assistant Superintendent for Fiscal Services, at 784-6225 or by email at *brian.hallett@k12.hi.us*.

KTH:bh

c: The Honorable Bruce Voss, Chairperson, Finance and Infrastructure Committee
Denise Yoshida, Internal Audit Office
Office of Fiscal Services

DAVID Y. IGE
GOVERNOR



STACEY A. ALDRICH
STATE LIBRARIAN

STATE OF HAWAII
HAWAII STATE PUBLIC LIBRARY SYSTEM
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

January 21, 2022

SENT VIA EMAIL (lao.auditors@hawaii.gov)

Mr. Leslie H. Kondo
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813

Dear Mr. Kondo:

SUBJECT: Review of Special Funds, Revolving Funds, Trust Funds, and
Trust Accounts of the Department of Education and the Hawai'i
State Public Library System

Thank you for the opportunity to provide comments on the draft report entitled
*Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the
Department of Education and the Hawai'i State Public Library System.*

We have reviewed the draft and acknowledge that the HSPLS had not filed the
appropriate Non-General Fund reports to the Department of Budget and Finance and
State Legislature, as required. Appropriate steps will be taken to address this
inadvertent error in order to meet our annual reporting requirement.

Thank you for the opportunity to provide comments.

Kindest Regards,

A handwritten signature in black ink, appearing to read "Stacey A. Aldrich".

Stacey A. Aldrich
State Librarian

Attachment

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