

BENJAMIN J. CAYETANO
GOVERNOR



NEAL MIYAHIRA
DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII PUBLIC EMPLOYEES HEALTH FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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

June 4, 2001

FINANCE MEMORANDUM

MEMO NO. 01-07

TO: All Department Heads

FROM: Neal Miyahira
Director of Finance

SUBJECT: Auditor's Draft Report on Special and Revolving Funds

The Legislative Auditor has prepared an update to their Summary Report of the Review of Special and Revolving Funds, which was released in 1992, and has requested that we review and comment on the draft of their report. The update examines the 132 special and revolving funds, statutorily or administratively created since July 1, 1990, that are administered by the Executive agencies and the Judiciary.

Please comment on the funds managed by your department that the Auditor has recommended for repeal or other recommendations for which you have concerns. For each fund provide: the name of the fund, the Auditor's recommendation, and your response. If you oppose the Auditor's recommendation, please provide additional information. Attached are a sample format and the sections of the Auditor's report relevant to your department.

Also attached for your information is a copy of the comments prepared by the Department of Budget and Finance relevant to the 1992 study. The comments were based on input from the affected departments.

Please submit your responses no later than noon on Friday June 8, 2001. Please submit a hard copy of your comments and a copy on diskette or E-mail a copy to RALPH_E_SCHULTZ@EXEC.STATE.HI.US.

We appreciate your cooperation in providing your comments in a timely manner so your input can be included in the published Auditor's report. If there are any questions, please have your staff contact Mr. James Nakamura, Administrator of this department's Budget, Program Planning and Management Division, at 586-1530.

Attachments

SPECIAL AND REVOLVING FUNDS
Recommended for Repeal by Auditor & Other Comments

Name of Fund

Auditor's Recommendation

Department/Agency Response

DENN WAIHEE
GOVERNOR



YUKIO TAKEMOTO
DIRECTOR

EUGENE S. IMAI
DEPUTY DIRECTOR

THOMAS I. YAMASHIRO
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII INC
HAWAII PUBLIC EMPLOYEES HEALTH FUND
HOUSING FINANCE AND DEVELOPMENT
CORPORATION
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
STATE CAPITOL
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL PLANNING AND POLICY
DEVELOPMENT DIVISION
INFORMATION AND COMMUNICATION
SERVICES DIVISION
TREASURY OPERATIONS DIVISION

Ref: 1688/DBFFIN

October 23, 1992

Ms. Marion Higa
State Auditor
Office of the Auditor
465 S. King Street, Rm. 500
Honolulu, Hawaii 96813

Dear Ms. Higa:

We have reviewed the draft report prepared by your office entitled, Summary Report of the Review of Special and Revolving Funds, and by prior agreement, have submitted the draft report to the Departments of Accounting and General Services (DAGS), Agriculture (DOA), Business, Economic Development and Tourism (DBEDT), Commerce and Consumer Affairs (DCCA), Education (DOE), Health (DOH), Human Services (DHS), Labor and Industrial Relations (DLIR), Land and Natural Resources (DLNR), Transportation (DOT), Attorney General (AG), Personnel Services (DPS), Public Safety (PSD) and Taxation (DOTax) as well as the University of Hawaii (UH) and the Housing Finance and Development Corporation (HFDC) for their review and response. The following comments reflect the collective responses of the affected departments/agencies and respond to each of the recommendations proposed by the Auditor.

Recommendation 1: The Auditor recommends that the Legislature consider repealing the special and revolving funds recommended for repeal in the Auditor's prior reports.

We do not concur. In prior reports, the Auditor recommended that 70 funds be repealed, discontinued, or sunsetted in the future. Although the respective departments/agencies agreed with the repeal of some funds, they generally could not support the Auditor's recommendation for the repeal of most of the funds cited. In general, where the Auditor recommended repeal, they did not feel that the Auditor adequately assessed the consequences of abolishing such funds. Justification for continuation of specific funds was submitted in their respective responses to the Auditor as well as in testimonies presented during subsequent legislative hearings.

Ms. Marion Higa
October 23, 1992
Page 1

We have reviewed the recommendation for each fund and reaffirm our previous positions. In Appendix 1, we list the funds that are being recommended again to be repealed, discontinued, or sunsetted, and the respective department/agency's current position. Where appropriate, updated information is included. As the Legislature, after review of the Auditor's prior recommendations, chose to continue these funds, we fail to understand the reason behind another call for repeal, discontinuance, or sunseting at this time. We note that all 70 funds continue to exist, including those funds where the department/agency had agreed with the repeal recommendation.

Recommendation 2: The Auditor recommends the repeal of Section 304-8, HRS, which gives the University of Hawaii the authority to establish special and revolving funds administratively.

Although the UH would like the flexibility to administratively establish special and revolving funds, it does not object to the repeal of Section 304-8, HRS, provided that those funds previously established under this section be allowed to continue. We note that with the exception of the UH Manoa Campus Telephone/Communication System Special Fund established in 1988, all special and revolving fund established for the University since 1985 have been authorized by specific statutes.

Recommendation 3: The Auditor recommends that sunset dates be established for all existing and newly established special and revolving funds.

We do not concur. While we support the recommendation for a systematic review of the continued need for a special or revolving fund, we believe that current processes and procedures adequately provide the means to accomplish the intended purpose.

The Auditor has reviewed all existing funds and is statutorily required to analyze all legislative bills that propose to establish special or revolving funds. This review, the statutory requirement for prior review of proposed special and revolving funds, and the inclusion of data relating to special and revolving funds in the Executive Budget provide the proper mechanism for the appropriate review and budgetary control by both the Executive and Legislative branches.

Ms. Marion Higa
October 23, 1992
Page 2

In addition, as part of the established process, B&F is currently conducting its own study of special and revolving funds to determine whether excess monies are being maintained in those funds. Section 37-53, HRS, already authorizes the transfer of such monies to the General Fund.

The funding structure of a program does not change radically from year to year. For example, in DOE, except for one new revolving fund created three years ago, the other special funds have existed for some time, most for over 50 years and, after comprehensive review, have been determined to be required. A sunset provision appears to be advisable only in those cases where it has been determined that the special fund is needed for a temporary, short-term basis.

Recommendation 4: The Auditor recommends that Section 37-62, HRS, be amended to define special and revolving funds as funds used only when these means of financing are essential to the successful operation of a program and where there is a clear link between the program and the sources of revenue dedicated to its support.

While we believe that the present definitions of special and revolving funds as stated in Section 37-62, HRS, may need to be revised, we do not believe that the amendment proposed by the Auditor adequately clarifies the differences between a special fund and a revolving fund.

Recommendation 5: The Auditor recommends that Section 23-11, HRS, be amended to include a requirement that proposals to establish new special or revolving funds be supported by evidence of need that:

- states the purpose of the program;
- describes the scope of the program;
- presents financial information on fees to be charged, sources of projected revenue, and costs; and
- explains why the program cannot be implemented successfully under the General Fund appropriation process.

We concur.

Ms. Marion Higa
October 23, 1992
Page 3

Thank you for giving all of us the opportunity to review and
comment on your report.

Sincerely,

Yukio Takemoto
Director of Finance

**SPECIAL AND REVOLVING FUNDS
RECOMMENDED FOR REPEAL BY AUDITOR**

**Report No. 91-10
Department of Accounting and General Services**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Central Purchasing Fund, Section 106-15, HRS	Repeal and budget through the General Fund.	<u>Concur.</u>
King Kamehameha Celebration Fund, Section 8-5, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> Planned activities for 1993 including a brochure, observance of the 100th anniversary of the overthrow of the Hawaiian kingdom, and the 1993 King Kamehameha celebration would be negatively impacted by the repeal of this fund.
Public Improvement Revolving Fund, Section 107-8, HRS	Repeal and lapse balance to General Fund.	<u>Concur.</u>
State Educational Facilities Improvement Fund, Section 36-32, HRS	Repeal.	<u>Oppose.</u>
State Risk Management Revolving Fund, Section 41D-4, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> The catastrophic impact of Hurricane Iniki reinforced the need for this fund. Had this fund been repealed, there would have been no monies set aside for emergency repairs, damage controls and other recovery measures. Moreover, to address concerns previously raised by the Auditor, the program has developed a cost allocation system to hold departments responsible for their losses and to make the fund self-sustaining.
State Surplus Revolving Fund, Section 106-23, HRS Surplus Federal Property Revolving Fund, Section 29-22, HRS	Repeal and budget through the General Fund. Continue.	<u>Concurs.</u> If both the State Surplus Property Revolving Fund and the Surplus Federal Property Revolving Fund are funded through the General Fund. Then both funds may be dissolved. To repeal the State Surplus Property Revolving Fund and continue the Surplus Federal Property Fund would place the two programs in direct competition with each other.
Works-of-Art Special Fund, Section 103-8.5, HRS	Repeal.	<u>Oppose.</u>

**Report No. 91-10
Department of Agriculture**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Agricultural Park Special Fund, Section 166-10, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Animal Industry Revolving Fund, Section 142-24, HRS	Repeal.	<u>Oppose.</u>
Irrigation System Revolving Fund, Section 167-22, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>

**Report No. 91-10
Department of Budget and Finance**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
County Special Fund for Certification and Payment of County Contributions to the Pension and Retirement System, Section 88-126, HRS	Repeal through appropriate legislation proposed by department.	<u>Oppose.</u>
Hawaii Information Network Fund Special Fund, Section 206P-7, HRS	Repeal.	<u>Oppose.</u> At the time of the prior review, the fund had never been used. However, administrative rules and the billing system are now in place, and revenues are being deposited in the fund. The fund is intended to be self-sustaining through the revenues collected from network and gateway usage.
State Telecommunications Site and Equipment Maintenance Revolving Fund, Section 106-16, HRS	Repeal and budget through the General Fund.	<u>Concur.</u>

**Report No. 92-3
Housing Finance and Development Corporation**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Fee Title Acquisition Loan Program Revenue Bond Special Funds, Section 516-11, HRS	Repeal.	<u>Concur.</u>
Rental Assistance Revolving Fund, Section 201E-132, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> Act 307, SLH 1992 restructured this fund to finance the development of affordable rental housing by private profit and nonprofit entities in addition to the HFDC and addresses the concerns relating to fund operations previously raised by the Auditor.
Rental Housing Revolving Fund, Section 201E-208, HRS	Repeal.	No comment.
State Mortgage Guarantee Fund, Section 201E-160, HRS	Repeal.	<u>Oppose.</u> Act 306, SLH 1992 has made changes to this fund to make it more workable.

**Report No. 92-3
Department of Business, Economic Development, and Tourism**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Aloha Tower Special Fund, Section 206J-17	Repeal and budget through the General Fund.	<u>Oppose</u> on the basis of inaccuracies previously cited.
Commercial Loan Guarantee Reserve Fund, Section 211-4, HRS	Repeal.	<u>Concur.</u>
Development Funds for Each Issue of Bonds Issued by a High Technology Development Corporation, Section 206M-17, HRS	Repeal.	<u>Oppose.</u>
Financial Services Assistance Revolving Fund, Section 201C-3, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Hawaii Community-Based Development Revolving Fund, Section 210D-4, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Hawaii Technology Research and Development Revolving Fund, Section 206M-15, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
High Technology Special Fund, Section 206M-15.5, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Natural Energy Laboratory of Hawaii Authority Special Fund, Section 227D-5, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Petroleum Products Control Revolving Fund, Section 125C-7, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Reserved Housing Loan Program Revenue Bond Special Fund, Section 206E-109, HRS	Repeal.	<u>Oppose.</u>
Special Fund for Out-of-State Offices, Section 201-85, HRS	Repeal and budget through the General Fund.	<u>Concur.</u>
Waikiki Convention Center Development Revolving Fund, Section 206X-10, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>

**Report No. 92-8
Department of Commerce and Consumer Affairs**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Insurance Examiner's Revolving Fund, Section 431:2-307, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> Fund is presently being used as designed. Moreover, monies and positions provided by the 1992 Legislature for accreditation purposes of program have been restricted. Flexibility of the fund to expand the cadre of contract examiners allows the program to meet national staffing standards, as necessary.

**Report No. 92-8
Department of Education**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Adult Education Special Fund, Section 301-4, HRS	Lapse balance to the General Fund and budget through the General Fund.	<u>Oppose.</u>
Driver Education Special Fund Section 431:10C-115, HRS	Lapse balance to the General Fund and budget through the General Fund.	<u>Concur.</u>
School Priority Fund, Section 296D-1	Repeal.	<u>Concur.</u>
Special School Lunch Fund, Section 296-44, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Storeroom Revolving Fund, Section 296-36.5, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>

**Report No. 92-8
Department of Health**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Environmental Response Revolving Fund, Section 128D, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Epidemic Control Fund, Section 325-6, HRS	Repeal.	<u>Concur.</u>
Facility Administration Fund, Section 323-73, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Public Health Facility Special Funds, Section 323-73, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Revolving Fund for Group Homes for Recovering Substance Abusers, Section 334-14, HRS	Repeal.	<u>Concur.</u>

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Revolving Fund for Home Health Services, Section 326-93, HRS	Repeal and budget through the General Fund.	<u>Concur.</u>
Revolving Fund for Kalaupapa Store, Section 326-27, HRS	Repeal and budget through the General Fund.	<u>Conditional concurrence.</u>
Special Funds Established for Title XIX Funds Collected under Section 333F-17.5, HRS		
Special Fund for the Community Services for the Developmentally Disabled	Repeal and budget through the General Fund.	<u>Concur</u> but some concerns over the inadequacy of General Fund dollars and underutilization of Federal dollars for this population.
Special Fund for Waimano Training School and Hospital	Repeal and budget through the General Fund.	<u>Concur</u> but some concerns over the inadequacy of General Fund dollars and underutilization of Federal dollars for this population.

Report No. 92-8
Department of Human Services

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Revolving Fund for Workshop or Home Labor Purposes for Welfare Recipients, Section 346-9, HRS	Repeal.	<u>Concur.</u>

Report No. 92-9
University of Hawaii

Research and Training Revolving Fund, Section 304-8.1, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> Concern is expressed over conversion of the means of financing from revolving to general and the subsequent loss of the non-lapsing provision which currently facilitates the smooth transition of ongoing research projects from one fiscal year to another.
University of Hawaii at Manoa Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> Intercollegiate Athletic program will face additional costs of \$300,000 this year because of a reduction in home games and will be especially impacted if the fund is repealed and General Fund monies must be found to absorb these additional costs.

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
University of Hawaii at Hilo Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> Intercollegiate Athletic program has variable and unpredictable costs that require carry-over reserves to cover these contingencies. General Fund allocations do not allow for the carry-over of funds for such purposes nor does it allow for the budgeting of such situations. Combination of fund sources (General and Revolving) is the most efficient and effective method of funding this type of program.
University of Hawaii at Manoa Malpractice Special Fund, Section 304-8.8, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Systemwide Computer Services Special Fund, Section 304-8.9, HRS Systemwide Computer Services Special Fund-UH-Systemwide Computing Center	Discontinue, lapse balance to the General Fund, and budget through the General Fund.	<u>Oppose.</u>
Child Care Programs Revolving Fund Section 304-8.91, HRS	Repeal and budget through the General Fund	<u>Oppose.</u>
Discoveries and Inventions Revolving Fund Section 304-8.92, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> The fund gives the University the flexibility to support technology and economic development in the State by providing the capacity to manage new, innovative programs and fund multi-year projects. With the General Fund, the fund must be expended by the end of the fiscal year and re-appropriated. Further, not all OTTRED programs are designed to be self-sustaining. As such, Act 352, SLH 1989 allows for infusions to the fund through appropriations from the State Legislature, subject to approval from the Governor.
Hawaii Opportunity Program in Education Special Fund (HOPE Fund), Section 304-8.95, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Laboratory School Cafeteria Special Fund, Sections 304-25 and 304-8, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u>
Aigai Mass Culture Facility, Snug Harbor, Oahu, Revolving Fund, section 304-44.5, HRS	Repeal.	<u>Concur.</u>
UH-Manoa Campus Center for Student Development Special Fund, Section 304-8, HRS	Discontinue, lapse balance to the General Fund, and budget through the General Fund.	<u>Oppose.</u>

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
UH–Manoa Campus Instructional Resource Center Special Fund, Section 304–8, HRS	Discontinue, lapse balance to the General Fund, and budget through the General Fund.	<u>Oppose.</u>
UH–Manoa Campus Laboratory Animal Service Special Fund, Section 304–8, HRS	Discontinue, lapse balance to the General Fund, and budget through the General Fund.	<u>Oppose.</u>
UH–Manoa Campus Health Instructional Resource Unit Special Fund, Section 304–8, HRS	Discontinue, lapse balance to the General Fund, and budget through the General Fund.	<u>Oppose.</u>
Systemwide Rental of University of Hawaii Property Revolving Fund, Section 304–2, HRS	Discontinue.	<u>Concur.</u>
UH–Manoa Campus Intramural Sports Revolving Fund, No approval found	Discontinue, lapse balance to the General Fund, and budget through the General Fund.	<u>Oppose.</u> However, fund should be incorporated as part of UH Student Activities Revolving Funds authorized by Section 304–8.6, HRS.

**Report No. 92–11
Department of Labor and Industrial Relations**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Special Premium Supplemental Fund, Section 393–41, HRS	Repeal and budget through the General Fund.	<u>Oppose.</u> Auditor's recommendation may be in conflict with the national Employee Retirement Income Security Act exemption which precludes any substantive changes to the State's Prepaid Health Care law.

**Report No. 92–11
Department of Land and Natural Resources**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Development Revolving Fund, Section 306–41, HRS	Repeal.	<u>Concur.</u>
Industrial Park Special Fund,	Repeal and budget through the General Fund.	<u>Oppose.</u>

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Land and Water Development Revolving Fund, Section 174-22, HRS	Repeal.	<u>Concur.</u>
Special Fund for Strip Mining Bond or Deposit Moneys Forfeited, Section 181-10, HRS	Repeal.	<u>Concur.</u>
Special Funds for Soil and Water Conservation Districts, Section 180-17, HRS	Repeal.	<u>Concur.</u>

**Report No. 92-11
Department of Transportation**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Highway Advance Acquisition Revolving Fund, Section 264-15, HRS	Repeal.	<u>Oppose.</u> Fund allows the department to acquire land while a project is still in the planning or designing phase. Federal funds, in addition to the State match is deposited in the fund. It is a Federal requirement that a State revolving fund be enacted for the the deposition of advance acquisition funds.
Special Fund for Deposit of Gross Revenues Derived from the Operation of the Ferry System, Section 268-6, HRS	Repeal.	<u>Concur.</u>

**Report No. 92-11
Department of Personnel Services**

<u>Name of Fund</u>	<u>Auditor's Recommendation</u>	<u>Department/Agency's Response</u>
Revolving Fund for In-Service Training Programs and Activities, Section 81-3, HRS	Repeal but budget through the General Fund.	<u>Oppose.</u> Fund provides for some measure of stability in employee development and training particularly at present when the Training and Safety Division has been faced with major budgetary cuts.

Chapter 6

Department of Budget and Finance

This chapter presents the results of our review of five special and revolving funds created after July 1, 1990 and one special fund created prior to July 1, 1990. For each fund created after July 1, 1990, we present a five-year financial summary, the purpose of the fund, conclusions about its use, and a recommendation on whether it should be continued, modified, or repealed. For the fund created prior to July 1, 1990, we present a one-year financial summary, the purpose of the fund, conclusions about its use, and other pertinent information on how the fund changed since it was originally reviewed in 1992. We do not present any conclusions about the effectiveness of the program, its management, or whether it should be continued. We present alphabetically first those funds established after July 1, 1990 followed by the fund established before July 1, 1990 that was reviewed in 1992.

Funds created after July 1, 1990

Compensation Hawaiian Home Lands Trust Fund, Administratively Established

Financial Data for Fiscal Year 1996 (in thousands)

	FY 1996
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	(30,000)
Transfers*	30,000
Ending Fund Balance	\$0
Encumbrances	0

*Transfer-in was from the Homes Revolving Fund.

This fund was established in FY1995-96 to account for moneys appropriated to settle breaches of the Hawaiian Home Lands trust between August 21, 1959 and July 1, 1988. The settlement of \$600 million is to be paid via \$30 million installments over 20 years. Act 14 of the 1995 Special Session appropriated \$30 million out of the Homes Revolving Fund to this fund to cover the FY1995-96 payment. However, FY1995-96 was the only year this fund was utilized. Since then, general obligation bonds have been sold for deposit into the Hawaiian Home Lands Trust Fund under the Department of Hawaiian Home Lands, and this account has been closed. We included this fund in our review because it is identified as a revolving fund by the Department of Budget and Finance and the Department of Accounting and General Services.

Emergency and Budget Reserve Fund, Section 328L-3, HRS

Financial Data for Fiscal Year 2000 (in thousands)

	FY2000
Beginning Fund Balance	\$0
Revenues	5,778
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$5,778
Encumbrances	0

Created in 1999, this fund was established as a temporary supplemental source of funding for the State during times of emergency, economic downturn, or unforeseen reduction in revenues. Under Section 328L-3, HRS, the Legislature may appropriate funds to: 1) maintain levels of programs determined to be essential to the public's health, safety, and welfare; 2) provide for counter-cyclical economic and employment programs in periods of economic downturn; 3) restore facilities destroyed or damaged, or services disrupted by disaster, in any county; and 4) meet other emergencies when declared by the governor or determined to be urgent by the Legislature.

No linkage exists between the benefits sought and charges made upon users. User charges are not required to support this fund, and the fund relies solely on 40 percent of the moneys received from the 1998 tobacco settlement between the five largest U.S. tobacco manufacturers and the attorney generals of 46 states as well as appropriations by the Legislature. The fund does not meet the criteria of a special fund and should be repealed.

Public Utilities Commission Special Fund, Section 269-33, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Revenues	8,694	9,161	9,810	9,885	9,581
Interest	0	0	0	0	0
Expenditures	(4,855)	(5,076)	(5,077)	(5,240)	(5,016)
Transfers*	(3,839)	(4,085)	(4,733)	(4,645)	(4,565)
Ending Fund Balance	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Encumbrances	11	39	16	0	53

*Transfers were made to the general fund.

This fund was established in 1994 to be used by the Public Utilities Commission and the Division of Consumer Advocacy for all expenses incurred in the administration of Chapters 269, 271, 271G, and 486J, HRS, which relate to Hawaii's Public Utilities Commission, Motor Carrier, Water Carrier, and Petroleum laws. The fund supports the establishment of rules and regulations pertaining to service standards, the rendering of decisions and orders on rates, fares, and charges, and audits and investigations of complaints filed against regulated companies. The fund also requires that all money in excess of \$1 million remaining in the fund on June 30 of each year shall lapse to the general fund. Linkage exists between benefits sought and charges made upon users because the fees assessed to the public and to motor and water carriers are used to fund the administration of the public utilities, motor and water carrier laws. The fund continues to serve its original purpose, is self-sustaining, and is an appropriate financing mechanism for the program. The fund meets the criteria of a special fund and should be continued.

Universal Service Fund, Section 269-42, HRS

Financial Data for Fiscal Years 1996-2000 (in thousands)

	FY1996	FY1997	FY1998	FY1999	FY2000
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This fund was established in 1995 for the purpose of implementing the policies and goals of universal service. Universal service includes offering and providing basic exchange service to all customers at affordable, just, and reasonable rates. The fund may be used to defray the cost of administering the fund and to subsidize telecommunications carriers providing basic service to low income customers and customers in high cost areas. It may also be used to subsidize telecommunication carriers that provide basic and advanced telecommunications service to public institutions. There is no linkage between benefits sought and charges made upon users because no fees are assessed. Instead the fund depends on contributions by telecommunication carriers. However, the fund has not recorded any revenue since its creation because the Public Utilities Commission has yet to secure a third-party administrator to manage the program. Once fees are assessed, this fund might be self-

sustaining. This fund does not meet all four criteria of a special fund but should be continued in order to assess its success once a third-party administrator is chosen.

**Workers' Compensation Benefits Facilitator Unit,
Administratively Established**

Financial Data for Fiscal Year 1997 (in thousands)

	FY1997
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers*	150
	(150)
Ending Fund Balance	\$0
Encumbrances	0

*Transfer-in was from the Special Compensation Fund. Transfer-out was to the general fund.

This fund was established in 1996 to cover start-up costs of the workers' compensation benefits facilitator unit in the Department of Labor and Industrial Relations. The unit is a central clearinghouse for inquiries about the workers' compensation program. Act 260, SLH 1996, appropriated \$150,000 out of the special compensation fund to establish the unit. Originally, the Department of Budget and Finance was designated as the expending agency by mistake. However, the error was corrected the following year, the fund was closed, and appropriated moneys lapsed to the general fund. The Disability Compensation Division of the labor department now funds the facilitator unit.

***Update of the fund
created prior to July 1,
1990***

Collective Bargaining Cost Items, Administratively Established

Financial Data for Fiscal Year 2000 (in thousands)

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