

December 28, 2016

VIA HAND DELIVERY

DEPT. COMM. NO. 222

The Honorable Ronald D. Kouchi
President of the Senate
415 South Beretania Street
State Capitol, Room 409
Honolulu, Hawai'i 96813

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

Dear President Kouchi:

We are enclosing a copy of our report, *Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Department of Education and the Hawai'i State Public Library System*, Report No. 16-11. This report presents a five-year summary for each special fund, revolving fund, trust fund and trust account, evaluates the original intent and purpose of each fund and account, and determines the degree to which each fund and account achieves their stated and claimed purpose. We determined that one special fund, one revolving fund, and one trust fund of the Department of Education did not meet criteria and should be closed.

The report is accessible through the Office of the Auditor's website at <http://files.hawaii.gov/auditor/Reports/2016/16-11.pdf>.

If you have questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:RTS:ifs

c: Legislative Reference Bureau Library
Ben Villaflor, Senate Sergeant-At-Arms
Carol T. Taniguchi, Senate Chief Clerk

Enclosure

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. 16-11
December 2016



OFFICE OF THE AUDITOR
STATE OF HAWAII



OFFICE OF THE AUDITOR

STATE OF HAWAI'I

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 recommendations to the Governor and the Legislature to help them make informed decisions.

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

Foreword

This is a report of our review of the special funds, revolving funds, trust funds, and trust accounts 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 included trust accounts as part of our review. This is our fifth review of the revolving funds, trust funds, and trust accounts of the Department of Education and our fourth review of the funds and accounts administered by the Hawai‘i State Public Library System. It is our first 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



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Auditor's Summary

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

Report No. 16-11

Three Department of Education Funds did not meet criteria

OUR REVIEW OF 13 SPECIAL FUNDS, 9 revolving funds, 9 trust funds, and 2 trust accounts of the Department of Education (DOE) found 1 special fund, 1 revolving fund, and 1 trust fund did not meet criteria and should be closed. Our review of 2 special funds, 2 trust funds, and 1 trust account of the Hawai'i State Public Library System (HSPLS) found that all funds and accounts met criteria.

Section 23-12, Hawai'i Revised Statutes, requires the Auditor to review all existing special, revolving, and trust funds every five years. Reviews are scheduled so that each department's funds are reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. This is our fifth review of the revolving funds, trust funds and trust accounts of DOE and our fourth review of the funds and accounts of HSPLS. HSPLS did not have any revolving funds during our review period. It is our first review of the special funds of DOE and HSPLS.

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

Reporting shortfall

WE NOTED inconsistent adherence by DOE when filing statutorily required reports for non-general funds and for administratively created funds and accounts. We also noted that HSPLS did not file statutorily required reports for administratively created funds and accounts. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight of these funds.

Agencies' responses

DOE GENERALLY AGREED with our findings and will take appropriate action to close the three funds that did not meet criteria and ensure compliance with reporting requirements. HSPLS generally agreed with our findings, except our conclusion on the reporting requirement for administratively created funds and accounts. HSPLS asserted that filing reports for administratively created funds and accounts is redundant because the same information is included in its annual report of non-general fund accounts. We disagree with HSPLS. The statutory requirement that HSPLS report to the Legislature is unambiguous. It continues to be our conclusion that HSPLS must comply with the reporting requirements of the statute.



FUND TYPES

SPECIAL FUNDS

are used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes.

REVOLVING FUNDS

such as loan funds, are often established with an appropriation of seed money from the general fund and must demonstrate the capacity to be self-sustaining.

TRUST FUNDS

such as a pension fund, invoke the State's fiduciary responsibility to care for and use the assets held to benefit those with a vested interest in the assets.

TRUST ACCOUNTS

are typically separate holding or clearing accounts and are often used as accounting devices for crediting or charging state agencies or projects for payroll and other costs.

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Chapter 1

Introduction

This review encompasses the special funds, revolving funds, trust funds, and trust accounts of the Department of Education (DOE) and its administratively attached agency, the Hawai'i State Public Library System (HSPLS). Section 23-12, Hawaii Revised Statutes (HRS), requires the Auditor to review all special, revolving, and trust funds administered by each State department every five years. We have also included trust accounts as part of our review.

This is our fifth review of DOE's revolving funds, trust funds, and trust accounts; and our fourth review of the funds and accounts administered by HSPLS. Additionally, this is our first review of special funds held by DOE and HSPLS since section 23-12, HRS, was amended to also require reviews of agencies' special funds.

In this report, we reviewed a total of 38 funds and accounts — specifically, 13 special funds, 9 revolving funds, 9 trust funds, and 2 trust accounts of DOE; and 2 special funds, 2 trust funds, and 1 trust account of HSPLS.

Background

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

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

Section 23-12, HRS, now specifies that the reviews must include:

1. An evaluation of the original intent and purpose of each fund, both as expressed by the Legislature and as understood by the expending agency;

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

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. Examples of special funds include the Captive Insurance Administrative Fund, which is funded by fees paid by insurers that support the State’s Captive Insurance Program, and the Wireless Enhanced 911 Fund. The Wireless Enhanced 911 Fund receives surcharges from wireless phone users for the upgrade of the 911 emergency system.

Revolving funds

Section 37-62, HRS, defines a revolving fund as one “from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts or funds.” Activities commonly financed through revolving funds include loan programs, which are initially established by general fund seed moneys and are then replenished through the repayment of loans. An example of a revolving fund is the State Motor Pool Revolving Fund, which is used to purchase and maintain the State’s fleet of motor vehicles and is replenished by charges to State agencies for the use of the vehicles.

Trust funds

Section 37-62, HRS, defines a trust fund as one in which “designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes.” Trust funds invoke a fiduciary responsibility of state government to care for and use 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, now state that special and revolving funds may be established only by statute. The criteria used to review special and revolving funds are the extent to which each fund:

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

with an automatic means of support, removed from the normal budget and appropriation process;

- Provides an appropriate means of financing for the program or activity, 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 can be established other than by statute. The criteria used to review trust funds and trust accounts are the extent to which each fund or account:

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

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

Objectives of the Review

1. Identify and review all special funds, revolving funds, trust funds, and trust accounts of DOE and its administratively attached agency, HSPLS.
2. For each special fund, revolving fund, trust fund, and trust account, determine the original intent and purpose, per statute and as understood by DOE and HSPLS, and determine the degree to which each fund or account achieves its stated and claimed purposes.
3. Evaluate fund performance standards established by DOE and HSPLS.

-
4. Provide a five-year (FY2012–FY2016) unaudited financial summary for each fund or account reviewed.
-

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by DOE and HSPLS during the five-year period under review (FY2012–FY2016). Funds and accounts included those established by statute as well as by administrative authority. HSPLS did not have any revolving funds during our review period.

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 documents. 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, 2011 to June 30, 2016), 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 any discrepancies between ending balances for FY2011 reported in our last review, Report No. 11-04, and opening balances reported for FY2012. We did not audit DOE's and HSPLS's financial data, which are provided for informational purposes only.

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

Where appropriate, we relied on our prior reports, including Report Nos. 96-21, *Review of Revolving and Trust Funds of the Office of the Governor, Office of Hawaiian Affairs, and the Department of Education*; 02-05, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Office of the Governor, Office of the Lieutenant Governor, Department of Education and Hawai'i State Public Library System, and Office of Hawaiian Affairs*; 06-08, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Office of the Governor, Office of the Lieutenant Governor, Department of Education and Hawai'i State Public Library System, and Office of Hawaiian Affairs*; 11-04, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Office of the*

Governor, Office of the Lieutenant Governor, Department of Education and Hawai'i State Public Library System, and Office of Hawaiian Affairs; and 12-04, Study of the Transfer of Non-general Funds to the General Fund.

Our review was conducted from June 2016 to October 2016. Recommendations were made where applicable.

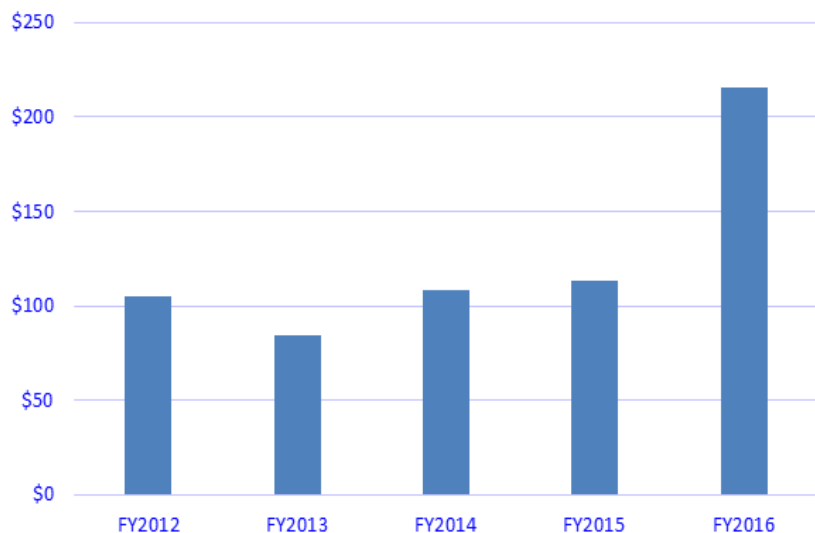
Chapter 2

Department of Education

This chapter presents the results of our review of 13 special funds, 9 revolving funds, 9 trust funds, and 2 trust accounts of DOE. Fund fiscal year-end balances amounted to at least \$84 million during the period reviewed.

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

Exhibit 2.1
Cash Balances for DOE Non-General Funds, FY2012–FY2016
(in millions)



Source: Office of the Auditor

Substantial amounts are also collected, expended, and transferred by the funds annually. In FY2016, DOE special funds, revolving funds, trust funds and trust accounts collected more than \$308 million and spent or transferred more than \$206 million.

Exhibit 2.2 presents totals for the combined revenue and interest, expenses and transfers, and ending fund balances for the different fund types for FY2016.

**Exhibit 2.2
DOE Fund and Account Totals by Type, FY2016**

Fund Type	Revenue and Interest	Expenses and Transfers	Year-End Cash Balance
Special Funds	\$251,888,000	\$145,852,000	\$149,841,000
Revolving Funds	14,079,000	16,194,000	15,812,000
Trust Funds and Trust Accounts	42,506,000	44,397,000	49,731,000
Total	\$308,473,000	\$206,443,000	\$215,384,000

Source: Office of the Auditor

For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use and whether it meets the criteria for continuance of a special or revolving fund or the definition of a trust fund or account. We do not assess the effectiveness of programs and their management. The funds are presented in alphabetical order.

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

**Exhibit 2.3
DOE Funds Not Meeting Criteria**

Fund Name	Fund Type	FY2016 Ending Balance (rounded)	No longer serves original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self-sustaining	Does not serve a need	Does not meet special or trust fund definition
Education Research & Development Revolving Fund	Revolving	\$92,000			✓		✓		
Families for R.E.A.L. Program	Special	\$ 4,000	✓					✓	
School Community Services (Adult Education)	Trust	\$ 0	✓					✓	✓

Source: Office of the Auditor

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

**Section 302A-1149.5,
HRS**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$1,578	\$1,184	\$2,857	\$6,373	\$6,632
Revenues	8,148	10,681	10,266	6,747	6,766
Interest	0	0	0	0	39
Expenditures	(8,542)	(9,008)	(6,750)	(7,438)	(7,186)
Transfers (net)*	0	0	0	950	0
Ending Balance	\$1,184	\$2,857	\$6,373	\$6,632	\$6,251
Encumbrances	\$735	\$314	\$931	\$570	\$530

*Transfer from DHS for unspent A+ after-school subsidy payments.

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 2004, the fund is used to operate the A+ after-school program, which provides a safe venue to care for students at the end of the school day until their family or caregivers are available. Revenues come from monthly enrollment fees of \$100 per student, and subsidies paid by the Department of Human Services (DHS) on behalf of families who qualify for assistance. Expenses include wage and fringe benefit expenses for program and administrative staff, supplies, as well as Services for a Fee (DHS subsidies) from A+ private providers.

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

**Administratively
established**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$23,094	\$26,473	\$23,314	\$23,837	\$25,276
Revenues	41,256	37,302	30,796	30,482	32,610
Interest	0	0	0	0	0
Expenditures	(37,877)	(40,461)	(30,273)	(29,043)	(31,981)
Transfers (net)	0	0	0	0	0
Ending Balance	\$26,473	\$23,314	\$23,837	\$25,276	\$25,905
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to serve the purpose for which it was created and meets the criteria for a trust account. Created in 1982, Section 302A-1130, HRS, allows schools to collect and expend funds for co-curricular activities. Revenues are collected from students including 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. Expenditures are to pay for various authorized school activities.

**Alu Like, Inc. Grants
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$148	\$146	\$144	\$133	\$130
Revenues	232	223	198	309	288
Interest	0	0	0	0	0
Expenditures	(234)	(225)	(209)	(312)	(290)
Transfers (net)	0	0	0	0	0
Ending Balance	\$146	\$144	\$133	\$130	\$128
Encumbrances	\$5	\$4	\$12	\$15	\$6

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1992, the purpose of the fund is to account for grant moneys received from Alu Like, Inc.’s Native Hawaiian Vocational Education Program. Expenditures consist of the costs for students of Hawaiian ancestry participating in vocational education programs.

**Athletic Trust Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$1,112	\$1,126	\$1,352	\$1,269	\$1,212
Revenues	834	1,064	1,053	866	995
Interest	7	4	4	6	9
Expenditures	(827)	(842)	(1,140)	(929)	(975)
Transfers (net)	0	0	0	0	0
Ending Balance	\$1,126	\$1,352	\$1,269	\$1,212	\$1,241
Encumbrances	\$130	\$269	\$181	\$259	\$178

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1961, the purpose of the fund is to collect moneys from athletic event-related activities. Revenues are collected from athletic event admission fees, league shares, activity book sales, and donations. Expenditures are for school athletic programs including supplies, equipment, travel, and other sports program expenses. Beneficiaries are the students who participate in athletic opportunities that receive support through this trust fund.

**Continued Enrichment
— After-School at
Nanaikapono
(special fund)**

**Administratively
established**

Financial Data for Fiscal Year 2012 (in thousands)

	FY2012
Beginning Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers (net)	0
Ending Balance	\$0
Encumbrances	\$0

The fund was closed in FY2012.

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

**Section 302A-1406,
HRS**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$1,411	\$1,424	\$1,267	\$878	\$1,170
Revenues	1,314	1,174	995	1,171	936
Interest	7	3	3	4	5
Expenditures	(1,308)	(1,334)	(1,387)	(883)	(1,224)
Transfers (net)	0	0	0	0	0
Ending Balance	\$1,424	\$1,267	\$878	\$1,170	\$887
Encumbrances	\$544	\$800	\$539	\$617	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created 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 to the fund come from Medicaid reimbursements. The fund supports efforts to obtain Medicaid reimbursements, and enhances the health and welfare of students by funding Individualized Education Plan related services under the Individuals with Disabilities Education Improvement Act as allowed by Medicaid. Costs include funding a program manager, secretary, account clerk, and service contract for Medicaid claims processing.

Education Design and Construction Project Assessment Fund (revolving fund)

Section 302A-1508, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$1,523	\$1,461	\$1,357	\$1,269	\$2,495
Revenues	894	1,023	1,130	2,681	3,254
Interest	3	3	3	6	10
Expenditures	(959)	(1,130)	(1,221)	(1,461)	(2,661)
Transfers (net)	0	0	0	0	0
Ending Balance	\$1,461	\$1,357	\$1,269	\$2,495	\$3,098
Encumbrances	\$472	\$501	\$299	\$761	\$719

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 2005, the fund supports DOE’s construction projects. Revenues are from assessments equitably made against other current expenses associated with capital improvements, repairs and maintenance, and alteration projects. Funds collected are used to defray the associated costs of carrying out the projects, including paying for vacation and sick leave of non-general fund employees in the construction program.

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

Section 302A-305, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$248	\$121	\$121	\$121	\$121
Revenues	0	0	0	0	0
Interest	0	0	0	0	1
Expenditures	(127)	0	0	0	(30)
Transfers (net)	0	0	0	0	0
Ending Balance	\$121	\$121	\$121	\$121	\$92
Encumbrances	\$0	\$0	\$0	\$0	\$92

This fund serves the purpose for which it was created but does not meet the self-sustaining criteria for a revolving fund as DOE has not generated any revenues from the sale of products and services during the past five years. Therefore, the fund should be repealed. Created in 2001, the current purpose of the fund is for the commercialization of products and services developed by 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.

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

**Administratively
established**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$300	\$4	\$4	\$4	\$4
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(296)	0	0	0	0
Transfers (net)	0	0	0	0	0
Ending Balance	\$4	\$4	\$4	\$4	\$4
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund no longer serves the purpose for which it was created and will be closed in FY2017. The purpose of the fund was to receive a one-time appropriation of \$300,000 from the State’s Emergency Budget and Reserve Fund for DOE’s Families for Resources and Early

Access to Learning (R.E.A.L.) program pursuant to Act 191, SLH 2010. Approximately \$296,000 was expended for salary and fringe costs for four elementary school teacher positions. The balance of nearly \$4,000 will be returned to the Emergency and Budget Reserve Fund.

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

**Section 302A-1405,
HRS**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$2,333	\$2,241	\$2,839	\$3,312	\$3,095
Revenues	377	1,242	1,016	1,183	16
Interest	0	0	0	0	9
Expenditures	(469)	(644)	(543)	(1,400)	(1,541)
Transfers (net)	0	0	0	0	0
Ending Balance	\$2,241	\$2,839	\$3,312	\$3,095	\$1,579
Encumbrances	\$126	\$2	\$125	\$165	\$131

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 2000, the fund is used to receive DOE’s share of federal indirect overhead reimbursements from discretionary grants, and supports program efforts to secure additional discretionary grant revenues in excess of the negotiated rate, monitoring grant execution, and ensuring compliance with grant requirements. Expenditures consist of awards to schools and complexes to assist with grant management costs.

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

Section 302A-707, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$233	\$228	\$239	\$244	\$252
Revenues	94	110	73	75	155
Interest	1	1	1	1	2
Expenditures	(100)	(100)	(69)	(68)	(54)
Transfers (net)	0	0	0	0	0
Ending Balance	\$228	\$239	\$244	\$252	\$355
Encumbrances	\$100	\$63	\$63	\$42	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2007, the purpose of the Felix Stipend Program Special Fund is to provide ongoing tuition assistance to students for the Felix consent decree recruitment and retention program. Revenues come from the repayment by students who breach contractual agreements under the Felix stipend program. Expenditures are used to provide additional stipends for students in higher education programs to help qualify them for employment in special education services.

**Fire and Other
Casualties Repair
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$95	\$95	\$95	\$95	\$95
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers (net)*	0	0	0	0	(95)
Ending Balance	\$95	\$95	\$95	\$95	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Remaining balance transferred to the general fund.

This fund was closed in FY2016 after the remaining balance was transferred to the general fund.

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

**Section 302A-1315,
HRS
(repealed by Act 147,
SLH 2015)**

Financial Data for Fiscal Years 2012–2015 (in thousands)

	FY2012	FY2013	FY2014	FY2015
Beginning Balance	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Interest	0	0	0	0
Expenditures	0	0	0	0
Transfers (net)	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0

This fund was repealed by Act 147, SLH 2015. Created in 2007, the fund was established to create a revolving fund for the collections and disbursement of revenue to support the administration and operation of DOE’s food distribution program. The fund was never used.

Foundation and Other Grants (trust fund)

Administratively established

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$12,953	\$10,998	\$11,443	\$11,798	\$13,530
Revenues	2,062	3,614	4,113	12,695	4,616
Interest	61	29	30	61	76
Expenditures	(4,053)	(3,198)	(3,788)	(11,024)	(9,169)
Transfers (net)*	(25)	0	0	0	28
Ending Balance	\$10,998	\$11,443	\$11,798	\$13,530	\$9,081
Encumbrances	\$598	\$1,647	\$1,655	\$7,181	\$2,222

*Transfers were to and from the Gifts and Donations Trust Fund for corrections.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1961, the purpose of the fund is to account for grants received from foundations, nonprofit organizations and other state agencies for various projects. The beneficiaries are the schools that received the funds and the students they serve. Expenditures are for program activities as specified by the terms of the grants received.

Gifts and Donations (trust fund)

Administratively established

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$7,082	\$7,163	\$7,673	\$8,990	\$9,364
Revenues	1,306	1,344	1,938	2,483	2,997
Interest	35	18	22	34	57
Expenditures	(1,285)	(874)	(643)	(2,143)	(1,044)
Transfers (net)*	25	22	0	0	(28)
Ending Balance	\$7,163	\$7,673	\$8,990	\$9,364	\$11,346
Encumbrances	\$261	\$191	\$1,861	\$572	\$412

*Transfers were to and from other trust accounts for corrections.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1961, the purpose of the fund is to account for donations made to schools for specific purposes. Revenues are gifts and donations from sources other than the legislature or federal appropriations. The beneficiaries are the schools that received the funds and the students they serve. Expenditures vary by school and purpose for which the gift or donation was made.

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

Section 302A-806, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$3,119	\$3,455	\$3,055	\$2,693	\$2,086
Revenues	1,294	695	603	531	530
Interest	0	0	0	0	12
Expenditures	(958)	(1,095)	(965)	(1,138)	(929)
Transfers (net)	0	0	0	0	0
Ending Balance	\$3,455	\$3,055	\$2,693	\$2,086	\$1,699
Encumbrances	\$149	\$96	\$188	\$82	\$83

This fund serves the purpose for which it was created and meets the criteria for a special fund. Created in 1988, the fund was created to pay the expenses of the Hawai'i Teacher Standards Board, including but not limited to the payment of all operational and personnel costs, and reimbursements to board members for travel expenses incurred. Revenues come from fees paid by licensees/permittees who obtain a Hawai'i teaching license or permit, add a field to their existing license, or renew their license. Expenditures consist of personnel costs and operational expenses for Hawai'i Teacher Standards Board meetings, stakeholder meetings, and professional development activities to support Hawai'i educators.

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

Administratively established

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$100	\$98	\$98	\$86	\$86
Revenues	98	111	104	113	112
Interest	0	0	0	0	0
Expenditures	(100)	(111)	(116)	(113)	(114)
Transfers (net)	0	0	0	0	0
Ending Balance	\$98	\$98	\$86	\$86	\$84
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 2003, the fund is used to temporarily deposit assessments made on DOE’s ceded lands which are then remitted to the Office of Hawaiian Affairs on a quarterly basis for the betterment of conditions for Native Hawaiians.

Office of Hawaiian Affairs — Grants (trust fund)

Administratively established

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$605	\$594	\$529	\$490	\$458
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(11)	(59)	(39)	(32)	(34)
Transfers (net)*	0	(6)	0	0	0
Ending Balance	\$594	\$529	\$490	\$458	\$424
Encumbrances	\$2	\$7	\$6	\$1	\$4

*Transfers to ‘Ōlelo — Educational Program Public TV Trust Fund for teleschool branch travel expenses related to the completion of Ke Imi Nohi Project.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1991, the purpose of the fund is to account for grants received from Office of Hawaiian Affairs. The fund supports tutorial and other educational programs at various schools focused on improving and uplifting educational conditions for students of Hawaiian ancestry. Allowable expenditures are for the benefit of students of Hawaiian ancestry.

‘Ōlelo — Educational Program Public TV (trust fund)

Administratively established

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$742	\$856	\$848	\$874	\$1,000
Revenues	684	611	614	732	739
Interest	4	2	2	4	6
Expenditures	(574)	(605)	(590)	(610)	(593)
Transfers (net)*	0	(16)	0	0	0
Ending Balance	\$856	\$848	\$874	\$1,000	\$1,152
Encumbrances	\$93	\$59	\$49	\$36	\$52

*Transfers to Gifts and Donations Trust Fund to support Science Technology Engineering & Math conference and distance learning at Maui High School. Transfers from Office of Hawaiian Affairs – Grants Trust Fund for teleschool branch travel expenses related to the completion of Ke Imi Nohi Project.

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1992, the fund received monies pursuant to contract with ‘Ōlelo: The Corporation for Community Television. Allowable expenses support educational programs for the benefit of participating students and community members, including live and interactive instruction, supplementary classroom instructions, instructional programs for home viewers, student exhibits and school productions, information dissemination and networking.

Out-of-School Time Instructional Program Fund (special fund)

Section 302A-1310, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$1,102	\$1,681	\$1,823	\$1,651	\$1,763
Revenues	2,374	2,166	1,785	2,070	1,826
Interest	4	2	2	3	5
Expenditures	(1,801)	(2,026)	(1,959)	(1,961)	(1,888)
Transfers (net)*	2	0	0	0	3
Ending Balance	\$1,681	\$1,823	\$1,651	\$1,763	\$1,709
Encumbrances	\$1,515	\$1,544	\$1,303	\$53	\$81

*Transfers from Use of School Facilities Special Fund.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1971, the purpose of the fund is to provide summer school and intersession programs for year-round school including summer school, twilight, and intersession programs. Revenues come from testing fees, tuition, registration, donations, and investment pool earnings. Expenses include the hiring of teachers, administrative and custodial staff; various non-payroll expenses including supplies, computer equipment, transportation services, and advertising.

**Regular Instruction –
High School
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$24	\$25	\$26	\$28	\$30
Revenues	4	4	3	2	0
Interest	0	0	0	0	2
Expenditures	(3)	(3)	(1)	0	0
Transfers (net)	0	0	0	0	0
Ending Balance	\$25	\$26	\$28	\$30	\$32
Encumbrances	\$1	\$1	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1921, the purpose of the fund is to hold revenues from the sale of agricultural products collected by the Lahainaluna Boarding School and to assist financing its boarding and vocational program. Revenues come from the sale of agricultural products and investment pool earnings. The fund has been used to pay for student help.

Restore Instructional Days 2010–2011 School Year (trust account)

Administratively established

Financial Data for Fiscal Year 2012 (in thousands)

	FY2012
Beginning Balance	\$12,373
Revenues	0
Interest	0
Expenditures	0
Transfers (net)*	(12,373)
Ending Balance	\$0
Encumbrances	\$0

*Remaining balance returned to the Hawai'i Hurricane Relief Fund.

The account was closed after the remaining balance was returned to the Hawai'i Hurricane Relief Fund in FY2012. Created in 2010, the account received an appropriation of \$67 million from the Hawai'i Hurricane Relief Fund for the purpose of restoring instructional days for the 2010–2011 school year. In FY2011, nearly \$55 million was used to pay for salary costs related to the restoration of instructional days.

School Bus Fare Revolving Fund (revolving fund)

Section 302A-407.5, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$4,013	\$3,546	\$4,835	\$3,840	\$3,495
Revenues	2,891	2,537	2,525	2,583	2,575
Interest	0	0	0	0	25
Expenditures	(3,358)	(1,248)	(3,520)	(2,928)	(3,037)
Transfers (net)	0	0	0	0	0
Ending Balance	\$3,546	\$4,835	\$3,840	\$3,495	\$3,058
Encumbrances	\$38	\$876	\$178	\$197	\$1,369

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 2002, the purpose of the fund is to deposit all moneys received from students and parents or guardians for state-provided school bus services. Expenditures consist of school bus transportation services and administrative program expenses.

School Community Services (Adult Education) (special fund)

Administratively established

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$459	\$487	\$502	\$479	\$449
Revenues	537	402	317	195	233
Interest	2	1	1	2	1
Expenditures	(510)	(388)	(341)	(227)	(234)
Transfers (net)*	(1)	0	0	0	0
Ending Balance	\$487	\$502	\$479	\$449	\$449
Encumbrances	\$26	\$63	\$26	\$7	\$9

*Transfer to Use of School Facilities Special Fund.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1970, the purpose of the fund is to support the Adult Education Program as stated in section 302A-435, HRS. Revenues come from the student tuition for special interest classes in the Adult Education Program and General Education Development test fees. Expenditures consist of instructor salaries and supplies.

School Community Services (Adult Education) (trust fund)

Administratively established

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
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 (net)	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund does not serve the purpose for which it was created and should be closed. Created in 2011, the fund was established in anticipation of operating with significantly reduced support for the Adult and Community School Program. The purpose of the fund was to deposit fees collected. However, fees from the Adult Education program are being deposited in the Adult Education Special Fund.

**School Lunch Fund
(special fund)**

Section 302A-405, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$13,892	\$9,728	\$1,956	\$7,336	\$2,770
Revenues	26,662	25,894	23,422	22,472	24,473
Interest	66	23	9	14	15
Expenditures	(30,892)	(33,689)	(18,051)	(27,052)	(21,551)
Transfers (net)	0	0	0	0	0
Ending Balance	\$9,728	\$1,956	\$7,336	\$2,770	\$5,707
Encumbrances	\$456	\$653	\$675	\$543	\$576

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1960, the purpose of the fund is to support the School Food Services Program which ensures Hawai'i's students are provided with high quality nutritious and affordable meals. Revenues come 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. Expenses are for payroll and fringe benefit expenses for food service drivers, cafeteria helpers, cooks, and bakers, and other program expenses.

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

**Section 302A-1504.5,
HRS**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$75	\$25	\$91	\$117	\$172
Revenues	5	77	76	74	72
Interest	0	0	0	0	1
Expenditures	(55)	(11)	(50)	(19)	(209)
Transfers (net)	0	0	0	0	0
Ending Balance	\$25	\$91	\$117	\$172	\$36
Encumbrances	\$6	\$0	\$5	\$5	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2001, the purpose of the fund is to receive contributions from taxpayers who designate a portion of their state income tax refunds, and other grants and donations for

school-level minor repairs and maintenance. Expenditures include fund transfers to the Hawai'i 3R's School Improvement Fund held outside the State treasury, special fund assessments, and DOE spending for school facility repair and maintenance activities.

**Settlements
(trust fund)**

**Administratively
established**

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

	FY2015	FY2016
Beginning Balance	\$0	\$565
Revenues	566	0
Interest	0	0
Expenditures	(1)	(196)
Transfers (net)	0	0
Ending Balance	\$565	\$369
Encumbrances	\$196	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 2015, the fund receives monetary awards pursuant to court-approved settlement agreements. Funds are to be expended for the purposes defined in the agreement, generally for the benefit of public schools and their students.

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

Section 36-32, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)*

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$32,872	\$26,469	\$11,905	\$26,114	\$30,572
Revenues	179,502	152,000	211,000	138,000	222,100
Interest	0	0	0	0	0
Expenditures	(185,905)	(166,564)	(196,811)	(133,542)	(119,297)
Transfers (net)**	0	0	20	0	0
Ending Balance	\$26,469	\$11,905	\$26,114	\$30,572	\$133,375
Encumbrances	\$442,647	\$271,261	\$437,951	\$292,085	\$154,826

*Financial data consolidates the activity of the State Educational Facilities Improvement Special Fund with the related capital improvement project accounts.

**Transfers are for capital improvement projects.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1989, the fund is used to plan, design, acquire lands for, and to construct public school facilities; and to provide equipment and technology infrastructure to improve public schools and other facilities under the jurisdiction of DOE, except public libraries. Prior to the end of FY2013, revenues came from a portion of all general excise tax revenues collected by the State. Subsequent funding for new capital improvement projects is through general obligation bonds. All expenditures from the fund are limited to projects authorized by the Legislature. Under Act 157, SLH 2013, the fund is scheduled for repeal on July 1, 2023.

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

Administratively established

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$395	\$438	\$453	\$448	\$468
Revenues	165	129	152	126	118
Interest	2	1	1	2	3
Expenditures	(124)	(115)	(158)	(108)	(93)
Transfers (net)	0	0	0	0	0
Ending Balance	\$438	\$453	\$448	\$468	\$496
Encumbrances	\$11	\$22	\$11	\$12	\$3

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 1970, the purpose of the fund is to finance an adult and community education program for the people of Hawai‘i as stated in section 302A-435, HRS. Revenues come from the sale of instructional materials, laboratory fees, and investment pool earnings. The funds are used by the two adult schools and their branch campuses for costs associated with part-time teachers, classroom supplies, intrastate travel, repairs and maintenance, advertising, and other expenses.

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

Section 302A-833, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$198	\$321	\$341	\$459	\$358
Revenues	320	313	322	321	321
Interest	1	1	1	2	2
Expenditures	(198)	(294)	(205)	(424)	(329)
Transfers (net)	0	0	0	0	0
Ending Balance	\$321	\$341	\$459	\$358	\$352
Encumbrances	\$16	\$18	\$115	\$9	\$13

This fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. Created in 2005, the purpose of the fund is to support DOE's Teacher Housing Program, which furnishes housing on a space available basis to DOE employees placed at schools in geographically remote areas. Revenues come from monthly cottage rental fees. Expenditures include planning, construction, maintenance, and operation of teachers' housing, as well as for the salaries of the necessary personnel in charge thereof.

**Textbook and
Instructional Materials
Fee Special Account
(special fund)**

**Section 302A-1130.6,
HRS**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$1,286	\$1,291	\$1,319	\$1,384	\$1,414
Revenues	234	186	178	170	166
Interest	0	0	0	0	9
Expenditures	(229)	(158)	(113)	(140)	(111)
Transfers (net)	0	0	0	0	0
Ending Balance	\$1,291	\$1,319	\$1,384	\$1,414	\$1,478
Encumbrances	\$60	\$47	\$54	\$41	\$46

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 2004, the purpose of the fund is to collect fees and charges from students or their parents/guardians for the loss, destruction, breakage, or damage of school textbooks, instructional materials, library books, equipment, or supplies. Revenues

come from students who damage school instructional materials and the monies collected are used to replace these items.

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

**Section 302A-1148,
HRS**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$2,885	\$3,204	\$3,860	\$3,904	\$4,291
Revenues	2,110	2,414	2,161	2,258	2,260
Interest	16	8	10	16	26
Expenditures	(1,791)	(1,761)	(2,147)	(1,887)	(1,577)
Transfers (net)*	(16)	(5)	20	0	(3)
Ending Balance	\$3,204	\$3,860	\$3,904	\$4,291	\$4,997
Encumbrances	\$437	\$639	\$503	\$555	\$351

*Transfers are for allocations made to and from schools. Also noted transfers in FY2012 and FY2016 to Out-of-School Time Instructional Program Special Fund.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1982, the fund is used to support the statute requiring that all public school buildings, facilities and grounds be available for general recreation purposes, and for public and community use, whenever these activities do not interfere with normal activities of the school and its pupils. Revenues come from collections of fees and charges from the users of school buildings, facilities, grounds, and equipment for 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.

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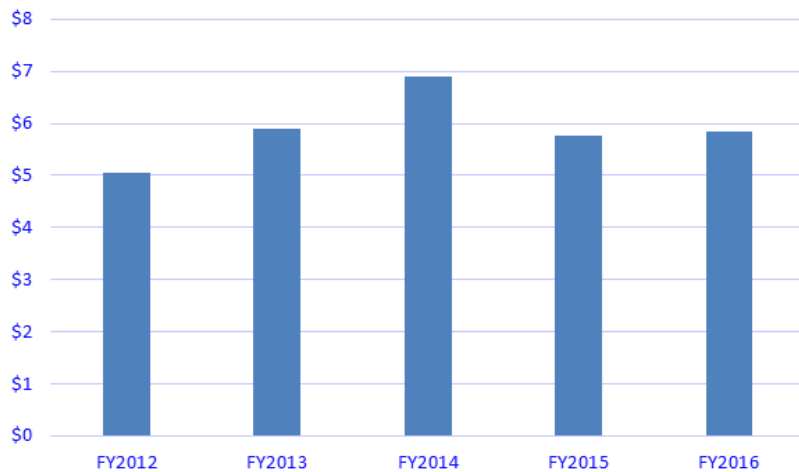
Chapter 3

Hawai‘i State Public Library System

This chapter presents the results of our review of two special funds, two trust funds, and one trust account of HSPLS. Fund fiscal year-end balances amounted to at least \$5 million during the period reviewed.

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

Exhibit 3.1
Cash Balances for HSPLS Non-General Funds,
FY2012–FY2016 (in millions)



Source: Office of the Auditor

Substantial amounts are also collected, expended, and transferred by the funds annually. In FY2016, HSPLS special funds, trust funds and trust account collected more than \$2.1 million and spent or transferred more than \$2 million.

Exhibit 3.2 presents totals for the combined revenue and interest, expenses and transfers, and ending fund balances for the different fund types for FY2016.

**Exhibit 3.2
HSPLS Fund and Account Totals by Type, FY2016**

Fund Type	Revenue and Interest	Expenses and Transfers	Year-End Cash Balance
Special Funds	\$1,891,000	\$1,919,000	\$3,881,000
Trust Funds and Trust Account	217,000	102,000	1,972,000
Total	\$2,108,000	\$2,021,000	\$5,853,000

Source: Office of the Auditor

For each fund, we present a five-year financial summary, the purpose of the fund, and the conclusions about its use and whether it meets the criteria for continuance of a special or revolving fund or the definition of a trust fund or account. We do not assess the effectiveness of programs and their management. The funds are presented in alphabetical order.

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

***Administratively
established***

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$1,405	\$1,250	\$1,366	\$1,497	\$1,513
Revenues	403	296	246	152	170
Interest	6	4	4	9	10
Expenditures	(564)	(184)	(119)	(145)	(97)
Transfers (net)	0	0	0	0	0
Ending Balance	\$1,250	\$1,366	\$1,497	\$1,513	\$1,596
Encumbrances	\$11	\$38	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. For purposes of this report, multiple accounts funded by donations and gifts were combined to show the total revenues and expenditures. Created in FY1962, the fund collects unsolicited donations by individuals and groups to support the operations of the library system. Expenditures consist of the purchases of new books, materials, programs and services for the HSPLS.

**Friends of the Library
(formerly Hawai'i State
Library Foundation
Trust Fund)
(trust fund)**

Section 312-3.7, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$356	\$304	\$404	\$340	\$336
Revenues	12	194	0	0	35
Interest	1	1	1	1	2
Expenditures	(65)	(95)	(65)	(5)	(4)
Transfers (net)	0	0	0	0	0
Ending Balance	\$304	\$404	\$340	\$336	\$369
Encumbrances	\$0	\$66	\$0	\$0	\$2

This fund continues to serve the purpose for which it was created and meets the criteria for a trust fund. Created in 1974, the Hawai'i State Library Foundation Trust Fund supports HSPLS programs. Revenues come from donations from the Friends of the Library of Hawai'i. Expenditures consist of the purchases of new books, materials, programs and services for operations of the library system.

**Libraries Special Fund
(special fund)**

Section 312-3.6, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$1,039	\$583	\$971	\$1,527	\$633
Revenues	960	1,059	1,061	1,002	960
Interest	4	1	2	4	3
Expenditures	(1,420)	(672)	(507)	(1,900)	(1,038)
Transfers (net)*	0	0	0	0	1,000
Ending Balance	\$583	\$971	\$1,527	\$633	\$1,558
Encumbrances	\$101	\$32	\$120	\$126	\$97

*In FY2016, the Library Fee for Enhanced Services Special Fund transferred \$1 million to the fund.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1979, the purpose of this fund is to maintain the collections of all public libraries and provide sufficient revenue for the cost of all books, materials, programs

and services that the public libraries offer. Revenues come from the collection of overdue fines, lost book charges, investment interest and donations from taxpayers.

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

Section 312-22, HRS

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$2,508	\$2,918	\$3,160	\$3,536	\$3,276
Revenues	989	1,027	1,089	981	910
Interest	13	8	9	15	18
Expenditures	(592)	(793)	(722)	(1,256)	(881)
Transfers (net)*	0	0	0	0	(1,000)
Ending Balance	\$2,918	\$3,160	\$3,536	\$3,276	\$2,323
Encumbrances	\$2	\$73	\$210	\$72	\$36

*In FY2016, the fund transferred \$1 million to the Libraries Special Fund.

This fund continues to serve the purpose for which it was created and meets the criteria for a special fund. Created in 1993, the fund supports the enhanced services program which provides rentals of DVDs, video, equipment, meeting rooms, processing of passport applications, test proctoring, custom research, and photocopying/telecopying. Revenues come from fees charged to patrons for the enhanced services provided at public libraries. Expenditures consist of purchasing library books and materials, and other enhanced services program operations.

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

**Administratively
established**

Financial Data for Fiscal Years 2012–2016 (in thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016
Beginning Balance	\$13	\$6	\$6	\$8	\$8
Revenues	1	0	6	0	0
Interest	0	0	0	0	0
Expenditures	(8)	0	(4)	0	(1)
Transfers (net)	0	0	0	0	0
Ending Balance	\$6	\$6	\$8	\$8	\$7
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to serve the purpose for which it was created and meets the criteria for a trust account. Created in 2008 as a trust account related to the State Risk Management Revolving Fund, the account collects insurance settlement claims and these moneys are used for the purpose identified in any such settlement. Expenditures include the acquisition of replacement books, materials, and equipment.

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Chapter 4

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

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 legislative money committees track non-general funds. The reports are used to monitor fund balances and identify excess moneys for possible transfer to the general fund.

During our review of the non-general funds of DOE and HSPLS, we noted non-compliance with statutory requirements to report financial activity and balances as required by section 37-47, Hawai'i Revised Statutes (HRS), as well as fund information for administratively established funds under section 37-52.5, HRS. DOE did not report to the 2016 Legislature all non-general funds and accounts with balances totaling almost \$56.6 million at the end of FY2015, as shown in Exhibit 4.1. As shown in Exhibits 4.2 and 4.3, DOE and HSPLS had administratively created non-general funds and accounts with balances totaling almost \$52.7 million and \$1.5 million, respectively, that were not reported to the Legislature as 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 to 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.

Exhibit 4.1
DOE Funds and Trust Account Not Reported to the Legislature

Fund Name	Fund Type	FY2015 Ending Balance (rounded)
Agency Fund (Local School Fund)	Trust Account	\$25,276,000
Families for R.E.A.L. Program	Special	4,000
Fire and Other Casualties Repair	Special	95,000
Office of Hawaiian Affairs — Ceded Land Proceeds	Trust	86,000
Settlements	Trust	565,000
State Educational Facilities Improvement Special Fund	Special	30,572,000
DOE Total		\$ 56,598,000

Source: Office of the Auditor

Section 37-52.5, HRS, requires any department or agency (excluding the Judiciary) that administratively establishes a new fund or account to submit a report to the Legislature. Shortly after passage of section 37-52.5, HRS, the State Comptroller issued Memorandum No. 2002-35 in October 2002 alerting agency heads as well as departmental administrative and fiscal officers of the legislative reporting requirement. 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.

Exhibit 4.2**DOE Administratively Created Funds and a Trust Account Not Reported to the Legislature****Department of Education (DOE)**

Fund Name	Fund Type	FY2015 Ending Balance (rounded)
Agency Fund (Local School Fund)	Trust Account	\$25,276,000
Alu Like, Inc. Grants	Trust	130,000
Athletic Trust Fund	Trust	1,212,000
Families for R.E.A.L. Program	Special	4,000
Fire and Other Casualties Repair	Special	95,000
Foundation and Other Grants	Trust	13,530,000
Gifts and Donations	Trust	9,364,000
Office of Hawaiian Affairs — Ceded Land Proceeds	Trust	86,000
Office of Hawaiian Affairs — Grants	Trust	458,000
‘Ōlelo — Educational Program Public TV	Trust	1,000,000
Regular Instruction — High School	Special	30,000
School Community Services (Adult Education)	Special	449,000
School Community Services (Adult Education)	Trust	0
Settlements	Trust	565,000
State School Revolving Fund (Adult Education)	Revolving	468,000
DOE Total		\$52,667,000

Source: Office of the Auditor

Exhibit 4.3**HSPLS Administratively Created Trust Fund and Account Not Reported to the Legislature****Hawai‘i State Public Library System (HSPLS)**

Fund Name	Fund Type	FY2015 Ending Balance (rounded)
Donations and Gift	Trust	\$1,513,000
Risk Management — Fire and Casualty Losses	Trust Account	8,000
HSPLS Total		\$1,521,000

Source: Office of the Auditor

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Office of the Auditor's Comments on the Affected Agencies' Responses

Comments on Agencies' Responses

We met with the Department of Education (DOE) and the Hawai'i State Public Library System (HSPLS) on November 15, 2016, to discuss our findings that we intended to include in our report. We then transmitted a draft of this review to DOE and HSPLS on November 23, 2016. DOE and HSPLS subsequently provided their written responses to the draft report on December 6, 2016 (Attachment 1) and December 2, 2016 (Attachment 2), respectively.

DOE generally agreed with our findings and will take appropriate action to close the three funds that did not meet criteria and ensure compliance with all reporting requirements. HSPLS generally agreed with our findings, except our conclusion on the reporting of administratively created funds and accounts, which they assert is redundant because the same information is included in its annual reporting of all non-general fund accounts. We disagree with HSPLS. The statutory requirement that HSPLS report to the Legislature is unambiguous. It continues to be our conclusion that HSPLS must comply with the reporting requirements of the statute.

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

OFFICE OF THE SUPERINTENDENT

December 6, 2016

The Honorable Leslie H. Kondo
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, HI 96813

Dear Mr. Kondo:

The Hawaii State Department of Education (DOE) concurs with the state auditor's findings and recommendations of the *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawaii State Public Library System*. Please find attached our response and corrective action plan.

Thank you for the opportunity to let us provide our comments to the review. Should you have any questions, please contact Denise Yoshida, DOE Internal Audit Director, at 586-3325 or via e-mail at denise_yoshida@notes.k12.hi.us.

Very truly yours,

A handwritten signature in blue ink, appearing to read "K. Matayoshi", written over a circular stamp.

Kathryn S. Matayoshi
Superintendent

KSM: jy
Attachment

c: Office of Fiscal Services
Internal Audit Office

Response to Recommendations from the Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawai'i State Public Library System, issued December 2016.

Response to Summary of Results

The DOE acknowledges that three of the department's special, revolving, trust funds and accounts do not meet the criteria for continuance, and agrees that all three accounts should no longer be used.

Corrective action:

S-348: SCHOOL COMMUNITY SERVICES (Adult Education) → Effective FY 2017-2018, this fund will no longer be used.

S-337: FAMILIES FOR R.E.A.L. PROGRAM → The remaining balance was returned to the State's Emergency Budget and Reserve Fund in September 2016. Effective October 2016, the fund is no longer being used.

T-921: SCHOOL COMMUNITY SERVICES (Adult Education) → Effective FY 2017-2018, this fund will no longer be used.

Response to Other Observations

The DOE acknowledges that the department did not file non-general fund reports as required by Section 37-47, HRS, for certain funds and agrees that such reports should have been filed.

Corrective action: The DOE will submit all required non-general fund reports for the Hawaii State Legislature, Regular Session of 2018.

The DOE acknowledges that the department is not reporting all administratively created non-general funds and accounts as required by Section 37-52.5, HRS, and agrees that such reports should have been filed.

Corrective action: The DOE will submit required reports on all administratively created non-general funds and accounts for the Hawaii State Legislature, Regular Session of 2018.

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

December 2, 2016

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

FROM:  Stacey A. Aldrich, State Librarian
Hawaii State Public Library System

SUBJECT: Response to the 2016 Review of Special, Revolving and Trust Funds-
HSPLS

As requested, we are providing our response and comments on the 2016 Review of Special, Revolving, and Trust Funds for the Hawaii State Public Library System (HSPLS). All of our 5 accounts were found to have met the criteria for continuance. The one observation noted was that HSPLS is not reporting all administratively created non-general funds and accounts as required by section 37-52.5, HRS. We disagree and believe that we have already been providing this required account information through the Department of Budget and Finance (B&F) for submittal to the Legislature. For your reference, we have enclosed Finance Memorandum No. 16-15 which requests our report on Non-General Fund information. B&F then compiles our report with all the other State agencies and departments for submittal to the Legislature as required by section 37-47, HRS. This is the exact same information that is required by section 37-52.5 HRS. It seems redundant and a duplication of work to provide the same exact account information separately.

The other observation that was discussed at the exit conference was transfers of general funds into our Special Funds. These transfers were needed to supplement the Special Funds used for the acquisition of our materials collections. For many years, our materials collection has been funded through our Special Fund, which relies on patrons not turning in materials on time, paying fees, and DVD rental fees. With the popularity of streaming movie services we have seen a steady decline in DVD rentals and Special Funds collected. This means a decline in funding available to purchase new materials to meet the demands of our communities. In FY2016-2017, we received \$250,000 in general funds for collections in our base budget, but it is not enough to meet the needs of providing both digital and physical collections for 50 branches across 6 islands.

We continue to request additional funding, as we have in past years, to ensure that we are able to provide materials and resources to our communities. Our FB 2017-2019 Budget Request of \$500,000 annually was not approved.

It is clear that our current reliance on Special Funds for collections will not be possible in the future. We may need to submit new legislation for additional revenue to continue to provide equal access to collections and information resources for the public good.

We appreciated Roy, Melissa and Ron for their hard work and fair assessment of our Special, Revolving and Trust funds. Please call or email Keith Fujio at 586-3700 or keith.fujio@librarieshawaii.org if you need any additional information. Thank you for allowing us an opportunity to respond to this draft of the Audit Report.