

December 5, 2023

VIA EMAIL

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

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

Re: *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Agriculture, Report No. 23-13*

Dear President Kouchi and Speaker Saiki:

Please find attached a copy of Report No. 23-13, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Agriculture*, along with a copy of the Auditor's Summary.

This report presents a five-year summary for each special fund, revolving fund, trust fund, and trust account maintained by the Hawai'i Department of Agriculture, evaluates the original intent and purpose of each fund and account, and determines the degree to which each fund and account achieves its stated and claimed purpose.

The report is accessible through the Office of the Auditor's website at:
<https://files.hawaii.gov/auditor/Reports/2023/23-13.pdf>.

The summary is also accessible through the Office of the Auditor's website at:
<https://files.hawaii.gov/auditor/Overviews/2023/23-13AuditorSummary.pdf>.

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

Very truly yours,

Leslie H. Kondo
State Auditor

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Attachments

ec/attach: Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Agriculture

Report No. 23-13

Five special funds, two revolving funds, and two trust funds did not meet criteria

OUR REVIEW of fourteen special funds, seven revolving funds, six trust funds, and six trust accounts of the Department of Agriculture (HDOA) found five special funds, two revolving funds, and two trust funds did not meet the criteria for special funds, revolving funds, and trust funds, respectively, and should be closed or reclassified.

Section 23-12, Hawai'i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds every five years. Reviews are scheduled so that each department's funds are reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. This is our seventh review of HDOA's revolving funds, trust funds, and trust accounts. It is our third review of the special funds held by HDOA since Act 130, Session Laws of Hawai'i 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund, we present a five-year financial summary, the purpose of the fund, 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 programs or their management, or whether the programs should be continued.

Reporting shortfall

WE NOTED THAT HDOA did not file statutorily required reports for non-general funds totaling approximately \$1.3 million, administratively created non-general funds totaling approximately \$394,000, non-general funds with balances totaling approximately \$1.8 million under the program measures reporting requirement, and non-general funds with balances totaling approximately \$1.4 million under the cost element reporting requirement. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds.



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.

Agency response

HDOA CONCURRED WITH OUR FINDINGS and stated that it will ensure compliance with all statutory reporting requirements. However, HDOA noted that certain special and revolving funds that did not meet criteria have a clear nexus between fund revenues and the program it supports. We maintain our assessment that these funds do not meet criteria for those types of funds established by the Legislature as the program they support can be supported by the General Fund appropriation process.



Link to the complete report:

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Agriculture

<https://files.hawaii.gov/auditor/Reports/2023/23-13.pdf>

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Agriculture

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

Report No. 23-13
December 2023



OFFICE OF THE AUDITOR
STATE OF HAWAII



OFFICE OF THE AUDITOR STATE OF HAWAII

Constitutional Mandate

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

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

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

Our Mission

To improve government through independent and objective analyses.

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

Our Work

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

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

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

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

Foreword

This is a report of our review of the special funds, revolving funds, trust funds, and trust accounts of the Department of Agriculture.

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds, once every five years. Although not mandated by statute, we include trust accounts as part of our review. This is our seventh review of the revolving funds, trust funds, and trust accounts of the Department of Agriculture. It is our third review of its 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 Agriculture.

Leslie H. Kondo
State Auditor



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Chapter 1

Introduction

This review encompasses the special funds, revolving funds, trust funds, and trust accounts administered by the State of Hawai‘i Department of Agriculture (HDOA). Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review each state department’s special, revolving, and trust funds every five years. Although not mandated by Section 23-12, HRS, we have included trust accounts as part of our review. Trust accounts, like special, revolving, and trust funds, are funded outside of the General Fund appropriation process and are therefore generally subject to less legislative scrutiny than the State’s General Fund. For each fund and account, our review included:

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

This is our seventh review of HDOA’s revolving funds, trust funds, and trust accounts.¹ It is our third review of HDOA’s special funds, since Act 130, Session Laws of Hawai‘i (SLH) 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds. We last examined these funds and accounts in 2018.

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

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

Special funds

Section 37-62, HRS, defines a special fund as one that is “dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.” According to the State’s *Accounting Manual*, special funds are funds used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes.

Revolving funds

Section 37-62, HRS, defines a revolving fund as one “from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts or funds.” Activities commonly financed through revolving funds include loan programs, which are initially established by general fund seed moneys and are then replenished through the repayment of loans.

Trust funds

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

Trust accounts

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

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

Special and revolving fund criteria

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

- Serves a need, as demonstrated by: (a) the purpose of the program to be supported by the fund; (b) the scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and (c) an explanation of why the program cannot be implemented successfully under the General Fund appropriation process;
- Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries, or a clear link between the program and the sources of revenue – as opposed to serving primarily as a means to provide the program or users with an automatic means of support removed from the normal budget and appropriation process;
- Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and
- Demonstrates the capacity to be financially self-sustaining.

Trust fund and trust account criteria

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

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

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

Objectives of the Review

1. Identify and review all special funds, revolving funds, trust funds, and trust accounts of HDOA.
2. For each special fund, revolving fund, trust fund, and trust account, determine whether the fund or account meets the respective criteria.
3. Provide a five-year (FY2019 – FY2023) unaudited financial summary for each fund and account of HDOA.

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts administered by HDOA during the five-year period under review (FY2019 – FY2023). Funds and accounts included those established by statute as well as by administrative authority.

To identify funds subject to this review, we used a variety of sources, including our prior reviews, accounting reports from DAGS, non-general fund reports, legislative budget briefing documents, and other records. To gain an understanding of fund operations, we reviewed applicable agency administrative rules and interviewed key fiscal and program personnel, as necessary.

We obtained a summary statement for each fund that reflects total fund transactions in the preceding five fiscal years (July 1, 2018 to June 30, 2023), including beginning fund balances, total revenues, amount of interest earned, total expenditures, transfers, and ending fund balances for each fiscal year. We requested explanations for

discrepancies between ending balances for FY2018 reported in our last review and opening balances reported for FY2019. We did not audit the department's financial data, which we provide for informational purposes only.

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

Where appropriate, we relied on our prior reports, including Report No. 18-15, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Agriculture*.

Our review was conducted from July 2023 to October 2023. Recommendations were made where applicable.

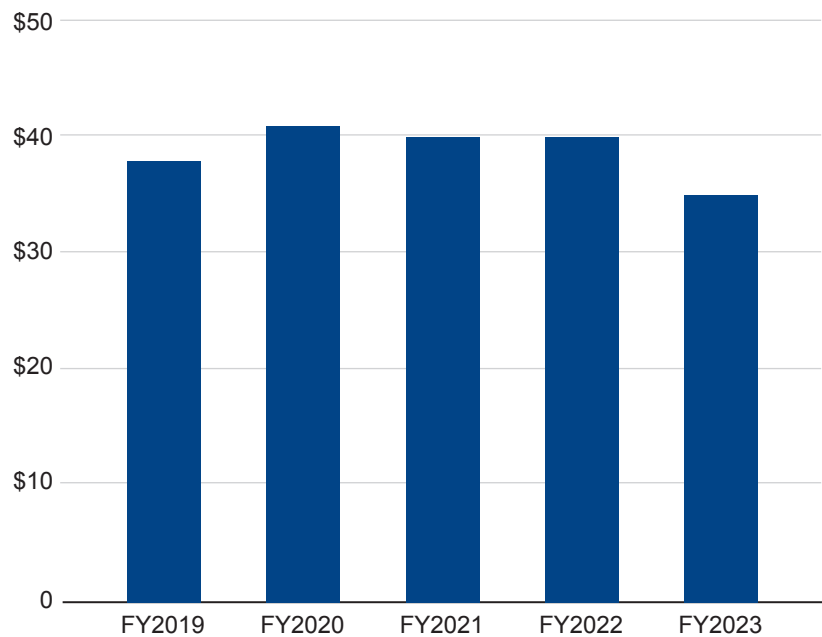
Chapter 2

Department of Agriculture

This chapter presents the results of our review of fourteen special funds, seven revolving funds, six trust funds, and six trust accounts. Total fund fiscal year-end balances for HDOA amounted to at least \$35 million per year during the period reviewed.

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

Exhibit 2.1
Cash Balances for the Department of Agriculture's
Non-General Funds FY2019 – FY2023 (in millions)



Source: Office of the Auditor

In FY2023, the special funds, revolving funds, trust funds, and trust accounts collected approximately \$22.6 million and spent or transferred approximately \$19.6 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 FY2023.

**Exhibit 2.2
Fund and Account Totals by Type, FY2023**

Fund Type	Revenue and Interest	Expenses and Transfers	FY2023 End Cash Balance
Special Funds	\$13,110,000	\$17,235,000	\$16,638,000
Revolving Funds	8,938,000	1,643,000	16,721,000
Trust Funds/ Trust Accounts	528,000	722,000	1,730,000
Total	\$22,576,000	\$19,600,000	\$35,089,000

Source: Office of the Auditor

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

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

**Exhibit 2.3
Fund(s) Not Meeting Criteria**

Fund Name	Fund Type	FY2023 Ending Balance	No longer serves original purpose and/ or does not serve a need	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Inappropriate financing mechanism	Not financially self-sustaining	Does not meet special fund, revolving fund, trust fund, or trust account definition
Agricultural Park Special Fund	Special Fund	\$2,133,470					✓
Aquaculture Development Special Fund	Special Fund	47,802				✓	
Aquaculture Loan Reserve Fund	Special Fund	394,390	✓				
Certification Services Revolving Fund	Revolving Fund	98,648				✓	
Industrial Hemp Program Special Fund	Special Fund	90,441	✓				
Irrigation System Revolving Fund	Revolving Fund	3,799,582					✓
Non-Agricultural Park Lands Special Fund	Special Fund	3,289,794					✓
Office of Hawaiian Affairs Ceded Lands Proceeds	Trust Fund	0					✓
Producer's Settlement Fund	Trust Fund	65	✓				
Total		\$9,854,192					

Source: Office of the Auditor

**Agribusiness
Development
Corporation Land
Performance Bond**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$26	\$26	\$26	\$26	\$36
Revenues	0	0	0	10	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	(36)
Ending Balance	\$26	\$26	\$26	\$36	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (2015)
Why was it created?	The account was used to temporarily hold performance bond payments from land licensees or lessees on land owned or managed by the Agribusiness Development Corporation (ADC) to be used in the event of a breach or default of the terms and conditions of the license or lease.
Account meets criteria?	This account was closed in FY2023, and the remaining balance was transferred to a fund administered by the Department of Business, Economic Development and Tourism (DBEDT) pursuant to Act 219 (SLH 2022).
Additional information	Pursuant to Act 219 (SLH 2022), ADC is administratively attached to DBEDT effective July 1, 2022.

**Agricultural
Development and Food
Security Special Fund**

Section 141-10, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)*

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$9,211	\$9,625	\$10,328	\$6,531	\$5,783
Revenues	4,076	3,773	3,807	0	2
Interest	70	336	62	39	7
Expenditures	(3,732)	(3,406)	(7,648)	(787)	(5,706)
Transfers	0	0	(18)**	0	(26)***
Ending Balance	\$9,625	\$10,328	\$6,531	\$5,783	\$60
Encumbrances	\$1,687	\$1,319	\$1,107	\$419	\$60

*This fund is the parent account and is the original source of revenue for multiple sub-accounts. The financial data presented is a consolidation of this fund and its sub-accounts.

**Transfer in FY2021 of \$18,155 to Collective Bargaining Special Fund pursuant to Executive Memorandum No. 20-09.

***Transfer in FY2023 of \$25,780 to DBEDT for ADC’s encumbrances in the Agribusiness Development and Research sub-account.

Fund Summary

Account Type	Special fund
How was the fund created?	Act 73 (SLH 2010)
Why was it created?	The fund was used for activities intended to increase agricultural production or processing to reduce importation of food, fodder, or feed from outside the state.
Fund meets criteria?	This fund was repealed in FY2022, and the remaining balance was transferred to the General Fund pursuant to Act 9 (First Special Session 2021). However, there is a remaining balance as of FY2023 in two sub-accounts, which are related to encumbrances.

Agricultural Loan Reserve Fund

Financial Data for Fiscal Years 2019 – 2023 (in thousands)					
	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$1,177	\$1,172	\$1,060	\$1,121	\$1,040
Revenues	912	918	957	28	0
Interest	39	161	36	25	5
Expenditures	(956)	(1,191)	(911)	(134)	(1,045)
Transfers	0	0	(21)*	0	0
Ending Balance	\$1,172	\$1,060	\$1,121	\$1,040	\$0
Encumbrances	\$38	\$3	\$39	\$0	\$0

*Transfer to Collective Bargaining Special Fund pursuant to Executive Memorandum No. 20-09.

Fund Summary

Account Type	Special fund
How was the fund created?	Administratively established (circa 1959)
Why was it created?	The fund was used to pay for the personnel and operating costs of the Agricultural Loan and Aquaculture Loan programs.
Fund meets criteria?	This fund was closed in FY2023, and the remaining balance was transferred to the General Fund.

**Agricultural Loan
Revolving Fund**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

Section 155-14, HRS

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$4,574	\$2,658	\$5,404	\$5,844	\$5,901
Revenues	1,839	4,809	3,784	1,756	4,710
Interest	0	0	0	0	0
Expenditures	(3,755)	(2,063)	(3,344)	(1,699)	(760)
Transfers	0	0	0	0	0
Ending Balance	\$2,658	\$5,404	\$5,844	\$5,901	\$9,851
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Revolving fund
How was the fund created?	Act 278 (SLH 1959), as amended by Act 222 (SLH 1979)
Why was it created?	The fund is used to fund loans made by the department for agricultural operations located in Hawai'i.
Fund meets criteria?	This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from loan principal repayments.
Expenditures	Expenditures include approved agricultural loan amounts disbursed.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.
Additional information	Pursuant to Sections 155-14 and 219-4, HRS, the department may transfer moneys between the Agricultural Loan Revolving Fund and Aquaculture Loan Revolving Fund for disbursement of agricultural loans or aquaculture loans, respectively. However, no such transfers occurred during the period of review.

**Agricultural Park
Special Fund**

Section 166-10, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$1,778	\$1,628	\$1,787	\$1,838	\$1,907
Revenues	531	609	504	495	610
Interest	15	62	11	8	40
Expenditures	(696)	(512)	(456)	(434)	(422)
Transfers*	0	0	(8)	0	(2)
Ending Balance	\$1,628	\$1,787	\$1,838	\$1,907	\$2,133
Encumbrances	\$133	\$73	\$54	\$19	\$4

*Transfers in FY2021 and FY2023 of \$8,229 and \$2,207 to Collective Bargaining Special Fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary

Account Type	Special fund
How was the fund created?	Act 222 (SLH 1986)
Why was it created?	The fund is used to provide affordable agricultural land and water to bona fide farmers.
Fund meets criteria?	This fund does <i>not</i> meet all the criteria of a special fund because according to the department, the program which the fund supports can be successfully implemented using the General Fund appropriation process, but it continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are rental income for leased agricultural lands, appraisals, and miscellaneous fees.
Expenditures	Expenditures include salaries, equipment rentals, operation and maintenance costs, consultants, and construction contracts.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.

**Animal Industry
Special Fund**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

Section 142-3.6, HRS

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	4
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$4
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Special fund
How was the fund created?	Act 185 (SLH 2011)
Why was it created?	The fund is used to cover costs of the Division of Animal Industry with rental proceeds from the division's properties or facilities.
Fund meets criteria?	This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from rental proceeds from the Division of Animal Industry's properties or facilities, including the animal quarantine property or other facilities; appropriations or other moneys made available; and all interest earned or accrued on the fund balance. There was no financial activity in the fund until FY2023, when the fund began receiving rental income from Agribusiness Development Corporation (ADC) for office and storage space when ADC moved from HDOA to the Department of Business, Economic Development and Tourism. Anticipated future revenues include fees charged for animal disease diagnostic testing and similar services.
Expenditures	Expenditures include costs of maintaining the rented building. Anticipated future expenditures include improvements to a veterinary laboratory.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	No.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.

**Animal Quarantine
Special Fund**

Section 142-28.5, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$956	\$905	\$593	\$1,658	\$2,995
Revenues	3,711	3,144	4,278	4,477	4,397
Interest	9	34	4	5	52
Expenditures	(3,771)	(3,490)	(3,173)	(3,145)	(3,074)
Transfers*	0	0	(44)	0	(25)
Ending Balance	\$905	\$593	\$1,658	\$2,995	\$4,345
Encumbrances	\$239	\$221	\$107	\$110	\$687

*Transfers in FY2021 and FY2023 of \$44,434 and \$25,152 to Collective Bargaining Special Fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary	
Account Type	Special fund
How was the fund created?	Act 210 (SLH 1998)
Why was it created?	The fund is used to operate the Animal Quarantine Branch's Rabies Quarantine Program to reduce the risk of rabies or alien pests entering the state.
Fund meets criteria?	This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from fees related to the quarantine of cats, dogs, and other carnivores entering the state, and the use of quarantine property and facilities.
Expenditures	Expenditures include salaries, equipment, animal care services, maintenance of the quarantine station, and other costs associated with operating the quarantine program.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.

**Aquaculture
Development Special
Fund**

Section 141-54, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$183	\$177	\$143	\$136	\$91
Revenues	40	45	43	27	33
Interest	2	7	1	1	2
Expenditures	(48)	(86)	(51)	(73)	(78)
Transfers	0	0	0	0	0
Ending Balance	\$177	\$143	\$136	\$91	\$48
Encumbrances	\$63	\$14	\$10	\$38	\$43

Fund Summary

Account Type Special fund

How was the fund created? Act 134 (SLH 2022)

Why was it created? The fund is used to implement aquatic disease management programs and activities of the department, including the provision of state funds to match federal grants; and to support research and development and activities related to the expansion of the State's aquaculture industry.

Fund meets criteria? This fund does *not* meet all the criteria of a special fund because it is not financially self-sustaining. Expenditures have exceeded revenues for each of the last five fiscal years. However, the fund continues to serve the purpose for which it was originally established.

Performance standards No, the fund does not have performance standards.

Revenues Revenues are from appropriations from the Legislature; moneys collected as fees for special microbiological and histological procedures and expert aquaculture-related services; moneys collected from the sale of any item related to aquaculture development that is purchased from the department; moneys directed to the aquaculture program from any other sources, including but not limited to grants, gifts, and awards; and moneys derived from interest, dividend or other income. The department noted revenues are currently from a portion of monthly gross revenue collected by the Department of Land and Natural Resources from the ocean-based aquaculture operations and fees collected for services rendered by the Aquatic Animal Health Veterinarian, including diagnostic testing, site visits, and health document processing.

Expenditures Expenditures include implementing aquatic disease management programs, and supporting research and development programs and activities relating to the expansion of the state aquaculture industry. The department noted current expenditures include travel and equipment for the Aquatic Animal Health Veterinarian to support disease investigations and surveillance, and specific industry development projects such as, developing an online aquaculture training platform.

Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.
Additional information	The Aquaculture Development Special Fund was originally established pursuant to Act 193 (SLH 2000), and codified as Section 141-2.7, HRS. Act 134 (SLH 2022) repealed Section 141-2.7, HRS, and re-established the fund, which was codified as Section 141-54, HRS. The purpose and use of the fund has not changed.

Aquaculture Loan Reserve Fund

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$228	\$247	\$301	\$318	\$358
Revenues	10	11	10	34	10
Interest	9	43	7	6	26
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$247	\$301	\$318	\$358	\$394
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Special fund
How was the fund created?	Administratively established (1972)
Why was it created?	The fund is used to cover operational expenses of the Aquaculture Loan Program and to transfer moneys to the Aquaculture Loan Revolving Fund to expand the program and assist additional borrowers.
Fund meets criteria?	This fund does <i>not</i> meet the criteria of a special fund and <i>should be closed</i> because the fund no longer serves the purpose for which it was originally established. The department noted all expenses for the Aquaculture Loan Program are covered by the General Fund. The department also stated that loan interest and fees could be placed in the Aquaculture Loan Revolving Fund instead.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from interest and fees paid by the Aquaculture Loan Program's borrowers.
Expenditures	Expenditures should include transfers to the Aquaculture Loan Revolving Fund to expand the program and assist additional borrowers. However, the Aquaculture Loan Reserve Fund has incurred no expenditures and made no transfers to the Aquaculture Loan Revolving Fund for the past five years.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	No.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	No.

Aquaculture Loan Revolving Fund

Section 219-4, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$900	\$904	\$907	\$907	\$924
Revenues	4	3	0	17	39
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$904	\$907	\$907	\$924	\$963
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Revolving fund
How was the fund created?	Act 181 (SLH 1971)
Why was it created?	The fund was created to issue loans to aquaculture operations located in Hawai'i. The Aquaculture Loan Program assists aquaculturists in obtaining credit through direct loans, participation loans with commercial lenders, guaranteeing loans of commercial lenders, and emergency loans.
Fund meets criteria?	This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from repayments of loan principal from aquaculture loans.
Expenditures	Expenditures include loan disbursements; however, no aquaculture loans were funded during the period under review. The department confirmed that due to low demand, no loans have been issued for the last five years. The fund has incurred no expenses since 2017.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.
Additional information	Pursuant to Sections 155-14 and 219-4, HRS, the department may transfer moneys between the Agricultural Loan Revolving Fund and Aquaculture Loan Revolving Fund for disbursement of agricultural loans or aquaculture loans, respectively. However, no such transfers occurred during the period of review.

**Certification Services
Revolving Fund**

Section 147-101, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$826	\$677	\$549	\$323	\$132
Revenues	208	177	119	157	184
Interest	8	26	3	2	4
Expenditures	(365)	(331)	(335)	(350)	(216)
Transfers*	0	0	(13)	0	(5)
Ending Balance	\$677	\$549	\$323	\$132	\$99
Encumbrances	\$3	\$5	\$4	\$2	\$5

*Transfers in FY2021 and FY2023 of \$13,312 and \$4,750 to Collective Bargaining Special Fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary

Account Type	Revolving fund
How was the fund created?	Act 264 (SLH 1994), as amended by Act 49 (SLH 2003)
Why was it created?	The fund is used to support certification and audit services for agricultural commodities.
Fund meets criteria?	This fund does <i>not</i> meet all the criteria of a revolving fund because it is not financially self-sustaining. Expenditures have exceeded revenues for each of the last five fiscal years.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from fees charged for services provided, including inspections of seed corn, coffee, and papaya.
Expenditures	Expenditures include materials, salaries, equipment, training, travel and other costs related to providing certification and audit services.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.
Additional information	In 1994, the original function of this fund was to support federal marketing order inspection services. In 2003, the fund was repurposed to support agricultural certification and audit services.

**Contribution for
Overtime-Plant
Quarantine Inspection
Services**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$36	\$36	\$36	\$36	\$36
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$36	\$36	\$36	\$36	\$36
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust fund
How was the fund created?	Administratively established (1950s)
Why was it created?	The fund is used to hold funds deposited by shipping companies to reimburse the Plant Quarantine Branch for overtime costs incurred when companies request inspections of shipping containers that do not enter the state at docks and piers.
Fund meets criteria?	This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from deposits from shipping companies.
Expenditures	Expenditures include reimbursement of overtime costs to conduct offsite inspections of shipping containers conducted by off-duty inspectors.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Yes.
Additional information	This fund was called “Plant Pest and Disease Control” and reviewed as a trust account in Report No. 18-15; however, the department noted the correct name is “Contribution for Overtime-Plant Quarantine Inspection Services” and on a questionnaire submitted in 2023, now describes the account as a trust fund.

**Department of
Hawaiian Home Lands
Entitlement Proceeds**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	32	10	32	22	22
Interest	0	0	0	0	0
Expenditures	(32)	(10)	(32)	(22)	(22)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (2009)
Why was it created?	The fund is used to collect a percentage of former sugar lands rental revenues for use by the Department of Hawaiian Home Lands (DHHL).
Account meets criteria?	This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from thirty percent of former sugar lands lease rent received.
Expenditures	Expenditures include payments to DHHL.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Yes.

**Hawai'i Agricultural
Development
Revolving Fund**

Section 163D-17, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$1,343	\$1,373	\$1,381	\$1,884	\$2,317
Revenues	1,979	1,651	2,610	2,281	1
Interest	10	50	9	7	0
Expenditures	(1,959)	(1,693)	(2,110)	(1,855)	0
Transfers	0	0	(6)*	0	(2,318)
Ending Balance	\$1,373	\$1,381	\$1,884	\$2,317	\$0
Encumbrances	\$540	\$1,178	\$946	\$1,400	\$0

*Transfer in FY2021 of \$5,850 to Collective Bargaining Revolving Fund pursuant to Executive Memorandum No. 20-09.

Fund Summary	
Account Type	Revolving fund
How was the fund created?	Act 264 (SLH 1994)
Why was it created?	The fund was used to account for revenues and expenditures related to the administration of the Agribusiness Development Corporation (ADC).
Fund meets criteria?	This fund was closed in FY2023, and the remaining balance was transferred to a fund administered by the Department of Business, Economic Development and Tourism (DBEDT).
Additional information	Pursuant to Act 219 (SLH 2022), ADC is administratively attached to DBEDT effective July 1, 2022.

***Hawai'i Department of
Agriculture Biocontrol
Foreign Exploration
Special Fund***

Financial Data for Fiscal Year 2019 (in thousands)

	FY2019
Beginning Balance	\$10
Revenues	0
Interest	0
Expenditures	(10)
Transfers	0
Ending Balance	\$0
Encumbrances	\$0

Fund Summary

Account Type	Special fund
How was the fund created?	Administratively established (2011)
Why was it created?	The fund was used to support biological control efforts, specifically foreign exploration, and host range testing for erythrina gall wasp and other priority pests.
Fund meets criteria?	This fund was closed in FY2019, and the remaining balance was transferred to the General Fund to be used by the Department of Land and Natural Resources.

**Hawai'i Water
Infrastructure Special
Fund**

Section 155-34, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$436	\$483	\$810	\$1	\$3
Revenues	43	308	0	0	0
Interest	4	19	5	2	0
Expenditures	0	0	(814)	0	(3)
Transfers	0	0	0	0	0
Ending Balance	\$483	\$810	\$1	\$3	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Special fund
How was the fund created?	Act 171 (SLH 2016)
Why was it created?	The fund was used to provide water infrastructure loans to water utilities.
Fund meets criteria?	This fund was closed in FY2023, and the remaining balance was transferred to the General Fund pursuant to Act 9 (First Special Session 2021).

**Industrial Hemp
Program Special Fund**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

Section 141-14, HRS

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$0	\$41	\$77	\$88	\$89
Revenues	41	35	10	0	0
Interest	0	1	1	1	1
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$41	\$77	\$88	\$89	\$90
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Special fund
How was the fund created?	Act 59 (SLH 2018)
Why was it created?	The fund is used to operate the Industrial Hemp Pilot Program, including hiring of employees, specialists, and consultants.
Fund meets criteria?	The fund does <i>not</i> meet the criteria of a special fund. The fund should be repealed because the Industrial Hemp Pilot Program it supported was repealed in FY2021. Therefore, it no longer serves the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from legislative appropriations, any fees collected by the department in relation to the Industrial Hemp Pilot Program, and other interest or return on investment earned from moneys in the special fund. Revenues also included hemp applications and licensing fees from producers for FY2019 and FY2020 and late payments received for FY2021. There were no revenues for FY2022 and FY2023 as the Industrial Hemp Pilot Program was repealed pursuant to Act 14 (SLH 2020).
Expenditures	Expenditures included hiring employees, specialists, and consultants to complete projects related to the Industrial Hemp Pilot Program. However, the department noted that fees were not sufficient to cover the salaries of staff. There were no expenditures during the period of review.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	No.
Reported pursuant to Section 37-49, HRS	No.

**Reported pursuant to
Section 37-52.5, HRS**

Not applicable, the fund was statutorily established.

Additional information

The department stated it attempted to legislatively attach the Industrial Hemp Program Special Fund to the Hawaii Hemp Processing Fund, which was established pursuant to Act 14 (SLH 2020), but was not successful. The Industrial Hemp Pilot Program was repealed in FY2021. The department also stated that the fund currently has no appropriation ceiling; it attempted to establish one in FY2023.

**Irrigation System
Revolving Fund**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

Section 167-22, HRS

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$3,573	\$3,722	\$3,841	\$3,746	\$3,899
Revenues	913	894	911	1,074	891
Interest	29	134	22	16	80
Expenditures	(793)	(909)	(1,025)	(937)	(1,065)
Transfers*	0	0	(3)	0	(5)
Ending Balance	\$3,722	\$3,841	\$3,746	\$3,899	\$3,800
Encumbrances	\$669	\$575	\$683	\$745	\$623

*Transfers in FY2021 and FY2023 of \$3,010 and \$5,000 to Collective Bargaining Revolving Fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary

Account Type	Revolving fund
How was the fund created?	Act 306 (SLH 1987)
Why was it created?	The fund is used to pay for administrative costs, engineering surveys, economic studies, plans, and maps directly attributable to water projects.
Fund meets criteria?	This fund does <i>not</i> meet the criteria of a revolving fund because according to the department, the program which the fund supports can be successfully implemented using the general fund appropriation process, but it continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from irrigation water delivery fees, acreage assessments, and other miscellaneous fees.
Expenditures	Expenditures include salaries, operations and maintenance, equipment rentals, consultants, and construction contracts related to the delivery of irrigation water.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.

Milk Control Special Fund

Section 157-29, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$447	\$369	\$288	\$300	\$322
Revenues	69	11	18	23	29
Interest	4	14	2	1	6
Expenditures	(151)	(106)	(7)	(2)	(15)
Transfers	0	0	(1)*	0	0
Ending Balance	\$369	\$288	\$300	\$322	\$342
Encumbrances	\$1	\$0	\$1	\$0	\$0

*Transfer to Collective Bargaining Special Fund pursuant to Executive Memorandum No. 20-09.

Fund Summary

Account Type	Special fund
How was the fund created?	Act 211 (SLH 1998)
Why was it created?	The fund is used to cover the salaries and operational costs to administer the Milk Control Act.
Fund meets criteria?	This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from fees assessed to dairy producers and processors based on the value of milk delivered and received, respectively.
Expenditures	Expenditures include salaries and other expenses associated with administering the Milk Control Act.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.

**Non-Agricultural Park
Lands Special Fund**

Section 166E-7, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$2,221	\$2,469	\$2,504	\$2,724	\$2,853
Revenues	1,085	1,002	1,242	1,100	1,312
Interest	18	87	14	11	59
Expenditures	(855)	(1,054)	(1,024)	(982)	(930)
Transfers*	0	0	(12)	0	(4)
Ending Balance	\$2,469	\$2,504	\$2,724	\$2,853	\$3,290
Encumbrances	\$138	\$62	\$27	\$4	\$101

*Transfers in FY2021 and FY2023 of \$11,701 and \$4,165 to Collective Bargaining Special Fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary

Account Type	Special fund
How was the fund created?	Act 234 (SLH 2005)
Why was it created?	The fund is used to defray the costs incurred in managing, administering, and overseeing non-agricultural park lands that are transferred, or in the process of being transferred, to the department.
Fund meets criteria?	This fund does <i>not</i> meet the criteria of a special fund because according to the department, the program which the fund supports can be successfully implemented using the general fund appropriation process, but it continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from rental income for leased agricultural lands, appraisals, and miscellaneous fees.
Expenditures	Expenditures include salaries, operating and maintenance expenses, equipment rentals, consultants, and construction contracts.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.

**Office of Hawaiian
Affairs Ceded Lands
Proceeds**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$41	\$0	\$0	\$0	\$0
Revenues	479	359	378	343	406
Interest	0	0	0	0	0
Expenditures	(520)	(359)	(378)	(343)	(406)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust fund
How was the fund created?	Administratively established (2003)
Why was it created?	The fund is used to collect a percentage of ceded land revenues owed to the Office of Hawaiian Affairs (OHA).
Fund meets criteria?	This fund does <i>not</i> meet all the criteria of a trust fund because it functions more like a trust account that serves as a clearing account, but continues to serve the purpose for which it was originally established. <i>The fund should be reclassified as a trust account.</i>
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from twenty percent of ceded agricultural land rental revenue.
Expenditures	Expenditures include payments to OHA.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Yes.

**Office of Hawaiian
Affairs Ceded Lands
Proceeds – ADC**

Financial Data for Fiscal Years 2021 – 2022 (in thousands)

	FY2021	FY2022
Beginning Balance	\$0	\$0
Revenues	0	176
Interest	0	0
Expenditures	0	(176)
Transfers	0	0
Ending Balance	\$0	\$0
Encumbrances	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (2022)
Why was it created?	The account was used to hold twenty percent of Agribusiness Development Corporation (ADC) revenues related to ceded lands to be transferred to the Office of Hawaiian Affairs.
Account meets criteria?	This account was closed in FY2022, and there was no remaining balance.
Additional information	Pursuant to Act 219 (SLH 2022), ADC is administratively attached to the Department of Business, Economic Development and Tourism effective July 1, 2022.

***Pest Inspection,
Quarantine, and
Eradication Fund***

Section 150A-4.5, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$10,010	\$9,264	\$9,139	\$8,995	\$5,435
Revenues	5,813	6,045	5,403	6,898	6,364
Interest	80	351	53	38	142
Expenditures	(6,639)	(6,521)	(5,520)	(10,496)	(6,030)
Transfers*	0	0	(80)	0	(16)
Ending Balance	\$9,264	\$9,139	\$8,995	\$5,435	\$5,895
Encumbrances	\$1,350	\$765	\$1,500	\$790	\$411

*Transfers in FY2021 and FY2023 of \$79,600 and \$15,659 to Collective Bargaining Special Fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary

Account Type	Special fund
How was the fund created?	Act 9 (First Special Session 2007)
Why was it created?	The fund is used to support the department's Biosecurity Program and its goal of preventing the entry and spread of pests into and within the State.
Fund meets criteria?	This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from fees, penalties, and fines related to inspections and requests to import plants, non-domestic animals, and other items that require a permit.
Expenditures	Expenditures include costs for payroll, equipment and supplies, as well as other expenses related to inspection, quarantine, and eradication programs.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.

**Pesticide Use
Revolving Fund**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

Section 149A-13.5, HRS

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$609	\$136	\$238	\$1,808	\$2,435
Revenues	1,059	1,569	3,088	3,236	2,994
Interest	4	16	2	6	33
Expenditures	(1,536)	(1,483)	(1,501)	(2,615)	(3,452)
Transfers*	0	0	(19)	0	(1)
Ending Balance	\$136	\$238	\$1,808	\$2,435	\$2,009
Encumbrances	\$6	\$128	\$261	\$254	\$370

*Transfers in FY2021 and FY2023 of \$19,325 and \$1,000 to Collective Bargaining Revolving Fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary

Account Type	Revolving fund
How was the fund created?	Act 281 (SLH 1996)
Why was it created?	The fund is used to support the registration and licensing, certification and education, and compliance monitoring activities by the Pesticides Branch; and other pesticide services deemed necessary by the department.
Fund meets criteria?	This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from pesticide license fees, fees charged for educational services, applicator certifications, and examinations, and fines associated with pesticide-related violations.
Expenditures	Expenditures include payroll, maintenance, rent, electricity, leases, office expenses, and major projects. Major projects from FY2019 through FY2023 have included pesticide database maintenance and updates, pesticide surface water quality monitoring, the Pesticide Disposal Program, and the Pesticide Drift Monitoring Study.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable, the fund was statutorily established.

Pesticides Settlement Trust Fund

Financial Data for Fiscal Years 2021 – 2023 (in thousands)

	FY2021	FY2022	FY2023
Beginning Balance	\$0	\$0	\$1,475
Revenues	0	1,500	0
Interest	0	0	0
Expenditures	0	(25)	(387)
Transfers	0	0	0
Ending Balance	\$0	\$1,475	\$1,088
Encumbrances	\$0	\$384	\$34

Fund Summary

Account Type	Trust fund
How was the fund created?	Administratively established (2022)
Why was it created?	The fund is used to hold and administer pesticide enforcement settlement proceeds and to use such proceeds to further the regulation of the manufacture, sale, and use of pesticides in Hawai'i, as indicated in consent agreements.
Fund meets criteria?	This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from pesticide enforcement settlement proceeds and interest earned on those proceeds.
Expenditures	Expenditures include laboratory equipment, educational initiatives, pesticide related enforcement, and pesticide disposal, as outlined in consent and settlement agreements.
Reported pursuant to Section 37-47, HRS	No.
Reported pursuant to Section 37-48, HRS	No.
Reported pursuant to Section 37-49, HRS	No.
Reported pursuant to Section 37-52.5, HRS	Yes.

Producer's Settlement Fund

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust fund
How was the fund created?	Administratively established (1980)
Why was it created?	The fund was used to equalize milk prices paid to milk producers by processors to effectuate a market-wide pooling of milk in the Honolulu and Hawai'i (Big Island) milk sheds, thereby bringing stability to Hawai'i's milk industry.
Fund meets criteria?	This fund does <i>not</i> meet all the criteria of a trust fund. <i>The fund should be closed</i> due to inactivity since FY2006. Moreover, with only one milk producer and one milk processor left in Hawai'i, pooling of milk and setting milk prices is no longer necessary, which negates the express purpose of the fund.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from payments from processors when total milk plant utilization exceeds the processor's payment obligation to the producer. However, there have been no revenues since 2005.
Expenditures	Expenditures include payments to processors when the processor's obligation to milk producers exceeds the value of the milk plant's utilization. However, there have been no expenditures since 2005.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	No.
Reported pursuant to Section 37-52.5, HRS	Yes.

Quality and Price Assurance

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$96	\$91	\$74	\$50	\$16
Revenues	7	3	0	0	90
Interest	0	0	0	0	0
Expenditures	(12)	(20)	(24)	(34)	(51)
Transfers	0	0	0	0	0
Ending Balance	\$91	\$74	\$50	\$16	\$55
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (1997)
Why was it created?	The account is used as a clearing account for fees collected from users requesting federal certification inspections and audits of agricultural practices and handling practices.
Account meets criteria?	This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established.
Performance standards	No, the account does not have performance standards.
Revenues	Revenues are from user fees collected for inspections of fresh and processed fruit and vegetables and audits of agricultural practices and handling practices.
Expenditures	Expenditures include costs for conducting the federal inspections and certification services.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Yes.

Seal of Quality Special Fund

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

Section 148-67, HRS

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$44	\$37	\$44	\$49	\$34
Revenues	11	8	4	2	5
Interest	0	2	1	1	1
Expenditures	(18)	(3)	(0)	(18)	(4)
Transfers	0	0	0	0	0
Ending Balance	\$37	\$44	\$49	\$34	\$36
Encumbrances	\$0	\$0	\$8	\$3	\$0

Fund Summary

Account Type	Special fund
How was the fund created?	Act 120 (SLH 2007)
Why was it created?	The fund is used to administer the Seal of Quality Program.
Fund meets criteria?	This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from sales of seals generated and application fees for the program.
Expenditures	Expenditures include conducting trade shows, retail shows, seminars and other promotional activities, purchase of labels, items and collateral materials, brochures, media advertisements, and inspections.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Not applicable; the fund was statutorily established.

Security Deposits

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$123	\$125	\$126	\$133	\$124
Revenues	2	1	11	1	0
Interest	0	0	0	0	0
Expenditures	0	0	(4)	(10)	0
Transfers	0	0	0	0	(124)
Ending Balance	\$125	\$126	\$133	\$124	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (2004)
Why was it created?	The account was used as a holding account for security deposits for licenses, leases, and revocable permits for the Agribusiness Development Corporation's (ADC) real property. Security deposits were reimbursed upon termination of the tenancy and satisfactory condition of the premises.
Account meets criteria?	This account was closed in FY2023, and the remaining balance was transferred to the Department of Business, Economic Development and Tourism (DBEDT) pursuant to Act 219 (SLH 2022).
Additional information	Pursuant to Act 219 (SLH 2022), ADC is administratively attached to DBEDT effective July 1, 2022.

**Security Deposits –
Non-AG Park**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$220	\$256	\$278	\$310	\$332
Revenues	43	41	32	22	10
Interest	0	0	0	0	0
Expenditures	(7)	(19)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$256	\$278	\$310	\$332	\$342
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust fund
How was the fund created?	Administratively established (2009)
Why was it created?	The fund is used to deposit funds from lessees of the department who choose to place a security deposit in lieu of performance bonds. A security deposit is held until the lease terminates or until all lease terms and conditions are met and the Board of Agriculture authorizes the release of the deposit.
Fund meets criteria?	This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the account does not have performance standards.
Revenues	Revenues are security deposits from lessees.
Expenditures	Expenditures include the release of the deposits when the leases terminate or when authorized by the Board of Agriculture.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Yes.
Additional information	This fund was called “Security Deposits – Ag Park and Non-Ag Park” when reviewed by the Auditor in Report No. 18-15. According to the department, security deposits from agriculture park lessees are now being held in a different account.

Temporary Deposits

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$574	\$150	\$171	\$185	\$214
Revenues	24	30	33	46	53
Interest	0	0	0	0	0
Expenditures	(448)	(9)	(19)	(17)	(14)
Transfers	0	0	0	0	0
Ending Balance	\$150	\$171	\$185	\$214	\$253
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (1993)
Why was it created?	The account is used as a clearing account for temporarily deposited funds received by several divisions and programs of the department until proper disbursement can be made.
Account meets criteria?	This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are temporary deposits, which include security deposits for revocable permits and general leases, temporary loan deposits, overpaid salaries, settlements, donations, and gifts.
Expenditures	Expenditures are the disbursement of temporary deposits to the proper recipients.
Reported pursuant to Section 37-47, HRS	No.
Reported pursuant to Section 37-48, HRS	No.
Reported pursuant to Section 37-49, HRS	No.
Reported pursuant to Section 37-52.5, HRS	Yes.

**Temporary Deposits –
Bond for Animal**

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$11	\$11	\$11	\$11	\$11
Revenues	0	6	0	0	0
Interest	0	0	0	0	0
Expenditures	0	(6)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$11	\$11	\$11	\$11	\$11
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust fund
How was the fund created?	Administratively established (1981)
Why was it created?	The fund is used to temporarily hold cash bonds placed on certain animals entering the state to ensure compliance with importation conditions and provide incentive for importers to safeguard their animals.
Fund meets criteria?	This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established.
Performance standards	No, the fund does not have performance standards.
Revenues	Revenues are from cash bonds paid by the permittees importing certain animals into the state.
Expenditures	Expenditures include refunding bonds upon the verified death of an animal, transfer or sale to a new owner with an appropriate permit or bond, or verified departure from the State. If the bonded animal escapes, the bond is forfeited and deposited into the State Treasury.
Reported pursuant to Section 37-47, HRS	Yes.
Reported pursuant to Section 37-48, HRS	Yes.
Reported pursuant to Section 37-49, HRS	Yes.
Reported pursuant to Section 37-52.5, HRS	Yes.

**Waiāhole Water System
Revolving Fund**

Section 163D-15.5, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$1,821	\$1,532	\$1,174	\$1,348	\$1,521
Revenues	840	696	1,303	1,244	1
Interest	17	63	8	6	0
Expenditures	(1,146)	(1,117)	(1,130)	(1,077)	0
Transfers	0	0	(7)*	0	(1,522)
Ending Balance	\$1,532	\$1,174	\$1,348	\$1,521	\$0
Encumbrances	\$15	\$6	\$6	\$23	\$0

*Transfer in FY2021 of \$6,640 to Collective Bargaining Revolving Fund pursuant to Executive Memorandum No. 20-09.

Fund Summary

Account Type	Revolving fund
How was the fund created?	Act 111 (SLH 1998)
Why was it created?	The fund was used to support all operations of the Waiāhole Water System. The Waiāhole Water System is administered by the Agribusiness Development Corporation (ADC).
Fund meets criteria?	This fund was closed in FY2023, and the remaining balance was transferred to a fund administered by the Department of Business, Economic Development and Tourism (DBEDT) pursuant to Act 219 (SLH 2022).
Additional information	Pursuant to Act 219 (SLH 2022), ADC is administratively attached to DBEDT effective July 1, 2022.

Chapter 3

Observations on Reporting and Accounting for Funds

Special, revolving, and other types of non-general funds are not subject to the same level of legislative scrutiny as the General Fund. Accurate and complete reporting of all funds, as required by law, would greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility. Fund reports are one of the primary means through which the Legislature tracks non-general funds. The reports are used to monitor fund balances and identify excess moneys for possible transfer to the General Fund.

Non-General Funds Were Not Reported as Required by Law

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

Section 37-48, HRS, enacted by the Legislature through Act 87 in 2021, requires departments to submit to the Legislature an annual program measures report of each non-general fund account, including information such as program objectives, program activities, metrics for target population, and metrics for assessing effectiveness over the ensuing six fiscal years. The report must be filed no later than October 1 annually.

Section 37-49, HRS, also enacted by the Legislature through Act 87 in 2021, requires departments to submit to the Legislature an annual cost element report of each non-general fund account, including information such as budget details by cost element and non-general fund names and account codes for each item or object code. The report must be filed no later than October 1 annually.

Section 37-52.5, HRS, requires the Judiciary and any department that administratively establishes a new fund or account to submit a report to the Legislature. The report must be filed within 30 working days of

a fund or account's creation and should include a justification for the fund or account and identification of its sources of revenue. In addition, prior to the start of each legislative session, the law also requires each department to submit to the Legislature a listing of all administratively established funds or accounts along with a statement of their revenues, expenditures, encumbrances, and ending balances for each fund or account. This report is separate from the non-general fund report required under Section 37-47, HRS.

During our review, we noted noncompliance with statutory requirements to report financial activity and balances, as required by Section 37-47, HRS, program measures, as required by Section 37-48, HRS, cost elements, as required by Section 37-49, HRS, as well as fund information for administratively established funds and accounts under Section 37-52.5, HRS.

As shown in Exhibit 3.1, HDOA had administratively created non-general funds with balances totaling approximately \$394,000 that were not reported to the Legislature as required by Section 37-52.5, HRS, non-general funds with balances totaling approximately \$1.3 million that were not reported to the Legislature as required by Section 37-47, HRS, non-general funds with balances totaling \$1.8 million that were not reported to the Legislature as required by Section 37-48, HRS, and non-general funds with balances totaling \$1.4 million that were not reported to the Legislature as required by Section 37-49, HRS.

Exhibit 3.1

Non-General Funds and Administratively Created Funds Not Reported to the Legislature

Fund Name	Fund Type	HRS 37-47 (Non-General)	FY2023 Ending Balance (rounded)	HRS 37-48 (Non-General Program Measures)	FY2023 Ending Balance (rounded)	HRS 37-49 (Non-General Cost Element)	FY2023 Ending Balance (rounded)	HRS 37-52.5 (Admin Created)	FY2023 Ending Balance (rounded)
Animal Industry Special Fund	Special Fund			✓	\$4,000				
Aquaculture Loan Reserve Fund	Special Fund			✓	394,000			✓	\$394,000
Industrial Hemp Program Special Fund	Special Fund			✓	90,000	✓	\$90,000		
Pesticides Settlement Trust Fund	Trust Fund	✓	\$1,088,000	✓	1,088,000	✓	1,088,000		
Producer's Settlement Fund	Trust Fund					✓	0		
Temporary Deposits	Trust Account	✓	253,000	✓	253,000	✓	253,000		
Total			\$1,341,000		\$1,829,000		\$1,431,000		\$394,000

Source: Office of the Auditor

Office of the Auditor's Comments on the Department of Agriculture's Response

Comments on Agency Response

WE TRANSMITTED a draft of this review to HDOA on November 20, 2023. We received HDOA's formal response to the draft report, which is attached in its entirety as Attachment 1. We address HDOA's comments below.

We reported that two special funds (Agricultural Park Special Fund and Non-Agricultural Park Lands Special Fund) and a revolving fund (Irrigation System Revolving Fund) did not meet the criteria of special funds and revolving funds, respectively. HDOA stated that while the programs the funds support could be supported with general funds, a clear nexus exists between the revenue generated and the program's activities. The Legislature set the requirements for establishing and continuing special and revolving funds. See Sections 37-52.3 and 37-52.4, HRS. One requirement is that special and revolving funds must serve a need, as demonstrated by an explanation of why the program cannot be implemented successfully under the General Fund appropriation process. Therefore, we maintain that these funds do not meet their respective criteria.

HDOA concurred with our findings that the Office of Hawaiian Affairs Ceded Land Proceeds trust fund should be reclassified as a trust account.

HDOA also concurred with our findings and represented that it will take appropriate action to ensure compliance with all statutory reporting requirements.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



State of Hawai'i
DEPARTMENT OF AGRICULTURE
KA 'OIHANA MAHI'AI
1428 South King Street
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Phone: (808) 973-9600 FAX: (808) 973-9613

SHARON HURD
Chairperson, Board of Agriculture

DEXTER KISHIDA
Deputy to the Chairperson

November 27, 2023

Leslie H. Kondo
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Mr. Kondo:

Thank you for the opportunity to provide comments on the report titled, Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Hawaii Department of Agriculture. Our comments address the funds that have been identified as not meeting the criteria, and the funds not reported to the Legislature.

Agricultural Park and Non-Agricultural Park Lands Special Fund

The Agricultural Park Special Fund and Non-Agricultural Park Lands Special Fund support the Agricultural Park and Non-Agricultural Park Lands programs. While these programs could be supported with general funds, a clear nexus exists between the income generated through rental income and other fees and the salaries, equipment and other operating expenses that are necessary to operate the Agricultural Park and Non-Agricultural Park Programs.

Irrigation System Revolving Fund

The Irrigation Systems Revolving fund supports the Irrigation Program. While the Irrigation Program can be supported with general funds, a clear nexus exists between the revenue generated through water delivery fees, acreage assessments and other fees and the salaries, equipment and other operating expenses that are necessary to operate the Irrigation Program.

Office of Hawaiian Affairs Ceded Land Proceeds Trust Fund

The program agrees that the Office of Hawaiian Affairs Ceded Land Proceeds Trust fund should be reclassified as a trust account.



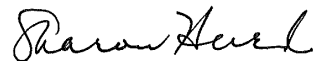
Leslie H. Kondo, State Auditor
November 24, 2023
Page 2

Non-General and Administratively Created Funds Not Reported to the Legislature

Procedures will be put into place to ensure that all funds are reported to the Legislature in accordance with Sections 37-47, HRS, 37-48, HRS, 37-49, HRS, and 37-52.5, HRS in future years.

The Hawaii Department of Agriculture appreciates the work put forward by the Auditor's Office and is grateful for the opportunity to provide a response. Should you have any questions, please contact me at 808-973-9550.

Sincerely,



Sharon Hurd, Chairperson
Board of Agriculture

