



January 17, 2024

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 Budget and Finance, Report No. 24-01*

Dear President Kouchi and Speaker Saiki:

Please find attached a copy of Report No. 24-01, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Budget and Finance*, 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 Department of Budget and Finance, 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/2024/24-01.pdf>.

The summary is also accessible through the Office of the Auditor's website at:
<https://files.hawaii.gov/auditor/Overviews/2024/24-01AuditorSummary.pdf>.

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

Very truly yours,

Leslie H. Kondo
State Auditor

emo

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 Budget and Finance

Report No. 24-01

Two trust accounts did not meet criteria

OUR REVIEW of three special funds, four trust funds, and eleven trust accounts of the Department of Budget and Finance (B&F) found two trust accounts did not meet the criteria for trust accounts 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 B&F's revolving funds, trust funds, and trust accounts. It is our third review of the special funds held by B&F 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 B&F did not file statutorily required reports for non-general funds totaling approximately \$22.3 billion, administratively created non-general funds totaling approximately \$0, non-general funds with balances totaling approximately \$22.6 billion under the program measures reporting requirement, and non-general funds with balances totaling approximately \$22.6 billion 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

B&F REPRESENTED that it will thoroughly review each of the items noted in the report and take appropriate actions to address them.



Link to the complete report:

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Budget and Finance

<https://files.hawaii.gov/auditor/Reports/2024/24-01.pdf>

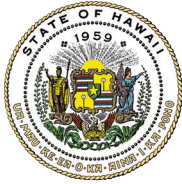
Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Budget and Finance

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

Report No. 24-01
January 2024



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 Budget and Finance.

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 Budget and Finance. 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 Budget and Finance.

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 Budget and Finance (B&F). 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 B&F’s revolving funds, trust funds, and trust accounts.¹ It is our third review of B&F’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 B&F.
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 B&F.

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts administered by B&F during the five-year period under review (FY2019 – FY2023). Funds and accounts included those established pursuant to an act 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. 18-17, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Budget and Finance*.

Our review was conducted from August 2023 to December 2023. Recommendations were made where applicable.

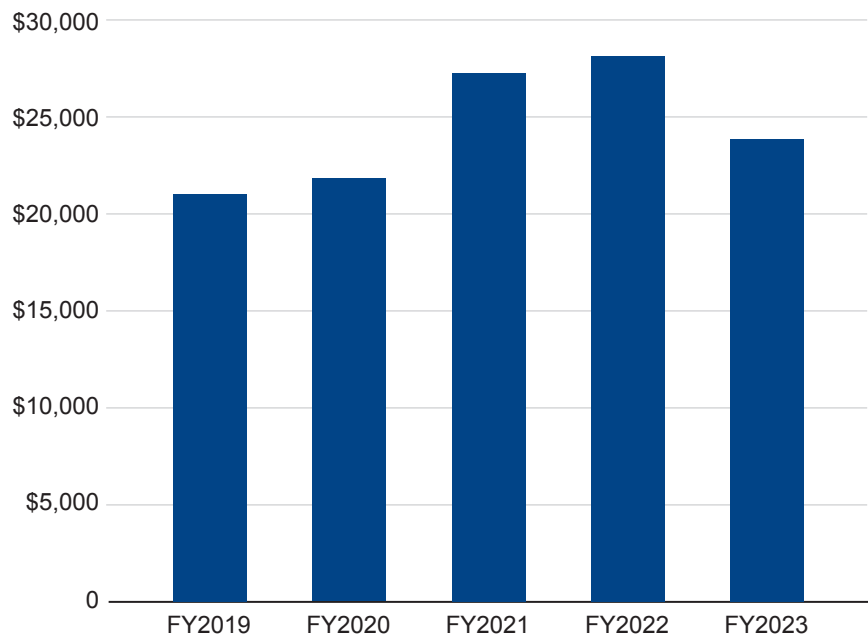
Chapter 2

Department of Budget and Finance

This chapter presents the results of our review of three special funds, four trust funds, and eleven trust accounts. B&F did not have any revolving funds during the period of our review. Total fund fiscal year-end balances for B&F were at least \$21 billion 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 Budget and Finance’s Non-General Funds
FY2019 – FY2023 (in millions)



Source: Office of the Auditor

In FY2023, the special funds, trust funds, and trust accounts collected approximately \$7.15 billion and spent or transferred approximately \$5.15 billion.

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	\$1,053,078,000	\$377,967,000	\$1,097,585,000
Trust Funds/ Trust Accounts	6,101,858,000	4,769,122,000	22,798,677,000
Total	\$7,154,936,000	\$5,147,089,000	\$23,896,262,000

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 B&F 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
Temporary Deposits – Budget and Finance	Trust Account	\$0	✓				✓
Temporary Deposits – Budget and Finance Financial Administration Division	Trust Account	0	✓				✓
Total		\$0					

Source: Office of the Auditor

Emergency and Budget Reserve Fund

Section 328L-3, HRS

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$375,658	\$378,237	\$403,881	\$319,474	\$325,812
Revenues	0	11,703	278,292	5,363	637,894
Interest	2,593	13,941	2,301	975	9,651
Expenditures	0	0	0	0	0
Transfers	(14)*	0	(365,000)**	0	392***
Ending Balance	\$378,237	\$403,881	\$319,474	\$325,812	\$973,749
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfer in FY2019 of \$14,213 to the General Fund to reverse an incorrect deposit in FY2018.

**Transfers in FY2021 include \$33 million from the Department of Health and \$250 million from the Department of Business, Economic Development and Tourism (DBEDT) pursuant to Act 4 (SLH 2020), and \$648 million to the General Fund pursuant to Act 9 (SLH 2020).

***Transfers in FY2023 are reimbursements from DAGS and DBEDT of prior expenditures funded by the Emergency and Budget Reserve Fund.

Fund Summary

Account Type	Special fund
How was the fund created?	Act 304 (SLH 1999)
Why was it created?	The fund is used as a temporary, supplemental source of funding for the State during times of emergency, severe economic downturn, or unforeseen reduction in revenues.
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 fifteen percent of Hawai'i tobacco settlement moneys; moneys received through a civil action in which the State is a party; appropriations made by the Legislature; and five percent of the General Fund balance at the close of the fiscal year if certain criteria are met. The five percent transfer of the General Fund balance is required whenever (1) the General Fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by five percent; and (2) the balance of this fund is equal to ten percent or less of the General Fund revenues for the preceding fiscal year.
Expenditures	There are no expenditures from the fund; rather, moneys are transferred to the General Fund or various state agencies to (1) maintain levels of programs determined to be essential to public health, safety, welfare, and education; (2) provide for counter cyclical economic and employment programs in periods of economic downturn; (3) restore facilities destroyed or damaged or services disrupted by disaster in any county; and (4) meet other emergencies when declared by the Governor or determined to be urgent by the Legislature.

**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 established pursuant to an act.

Employees’ Retirement System of the State of Hawai‘i (ERS)

Section 88-109, HRS

Financial Data for Fiscal Years 2019 – 2023 (in thousands)*					
	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$16,598,408**	\$17,227,027	\$17,385,480	\$21,935,792	\$21,854,814
Revenues	2,052,482	1,669,383	6,202,897	1,782,623	2,295,558
Interest	149,999	161,348	161,462	129,887	167,378
Expenditures	(1,573,862)	(1,672,278)	(1,814,047)	(1,993,488)	(1,993,004)
Transfers	0	0	0	0	0
Ending Balance***	\$17,227,027	\$17,385,480	\$21,935,792	\$21,854,814	\$22,324,746
Encumbrances	\$0	\$0	\$0	\$0	\$0

*FAMIS is not the source of the FY2019 – FY2023 financial data, but instead from the ERS’ internal accounting system, which is independent of FAMIS and the State Treasury.

**The FY2014 – FY2018 financial data in our prior review, Report No. 18-17, also reflected data from the ERS’ internal accounting system. The FY2018 ending balance was not audited as of the date of our last review, while the FY2019 beginning balance reflects the adjusted amount per the ERS’ audited financial statements.

***FY2019 – FY2022 ending balances were audited by external accounting firms. FY2023 ending balances have not been audited as of the date of this report and were provided by ERS.

Fund Summary	
Account Type	Trust fund
How was the fund created?	Act 55, Regular Session Laws, 1925 (Territory 13 th Legislature)
Why was it created?	The fund is used to provide retirement, disability, and survivor benefits for state and county employees.
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 members’ contributions, employer contributions from the State and counties, and investment earnings. General fund appropriations are required to pay the employer’s share of required contributions to ERS.
Expenditures	Expenditures include benefit payments and all costs necessary for the administration and operation of ERS.
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**

Not applicable, the fund was established pursuant to an act.

Hawai'i Children's Trust Fund

Financial Data for Fiscal Years 2019 – 2023 (in thousands)					
	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$0	\$130	\$116	\$130	\$125
Revenues	290	130	245	139	125
Interest	0	0	0	0	0
Expenditures	(160)	(144)	(231)	(144)	(213)
Transfers	0	0	0	0	0
Ending Balance	\$130	\$116	\$130	\$125	\$37
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary	
Account Type	Trust account
How was the account created?	Administratively established (2007)
Why was it created?	The account is used as a holding account for a portion of amounts collected from tax refunds designated for the Hawai'i Children's Trust Fund administered by the Hawai'i Community Foundation (HCF) until disbursement to the trust fund managed by HCF. Although this account is named "Hawai'i Children's Trust Fund," it is a trust account that passes through tax refunds collected by the Department of Taxation, and the Department of Budget and Finance is responsible for transferring the moneys to the Hawai'i Children's Trust Fund at HCF, which is held outside of State Treasury.
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 individuals whose state income tax refund for any taxable year is five dollars or more and who designates five dollars of the refund to be donated to various funds pursuant to Section 235-102.5(d), HRS, including one-third to the Hawai'i Children's Trust Fund.
Expenditures	Expenditures include disbursements to the Hawai'i Children's Trust Fund administered by HCF.
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.

**Hawai'i Employer-
Union Health
Benefits Trust Fund
(EUTF) – Other
Post-employment
Benefits (OPEB)
Trust Fund**

Section 87A-42, HRS

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$2,189,336	\$2,859,375	\$3,719,221	\$4,616,384	\$5,575,173
Revenues	705,379	1,218,558	1,508,906	1,424,037	1,364,575
Interest	0	0	0	0	16,173
Expenditures	(35,340)	(558,365)	(616,243)	(543,028)	(642,579)
Transfers*	0	199,653	4,500	77,780	110,500
Ending Balance	\$2,859,375	\$3,719,221	\$4,616,384	\$5,575,173	\$6,423,842
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers from EUTF – Clearing Held Outside State Treasury trust account for OPEB contributions pursuant to Board of Trustees' authorization of transfers of surplus funds.

Fund Summary

Account Type	Trust fund
How was the fund created?	Act 304 (SLH 2012), as amended by Act 268 (SLH 2013)
Why was it created?	The fund is used to invest EUTF moneys outside of the State Treasury, allowing use of investment vehicles that provide better returns on investment than historically provided by the State. The fund receives employer contributions that will prefund other post-employment health and other benefit plan costs for retirees and their beneficiaries.
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 employer contributions to prefund other post-employment health and other benefit plan costs for retirees and their beneficiaries, and investment earnings. Annual required contributions pursuant to Act 268 (SLH 2013) are specifically for prefunding the participating employers' OPEB liabilities. Act 229 (SLH 2021) suspended the employer annual required contributions to the OPEB Trust Fund pursuant to Act 268 (SLH 2013) for FY2022 and FY2023; however, according to the agency, the State continued to fund the OPEB Trust Fund.
Expenditures	Expenditures include custodial fees, investment consulting service fees, and investment management fees.
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 established pursuant to an act.
Additional information	In Report No. 18-17, this was reported as an administratively established trust account called the Hawai'i Employer-Union Health Benefits Trust Fund – Investments Held Outside State Treasury; however, in 2023, the department confirmed this is a trust fund called the OPEB Trust Fund pursuant to Section 87A-42, HRS.

**Hawai'i Employer-
Union Health
Benefits Trust Fund
(EUTF) – Outside
State Treasury**

Section 87A-30, HRS

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$252,014	\$293,851	\$135,350	\$259,361	\$244,659
Revenues	1,288,440	1,326,458	1,478,904	1,477,382	1,519,671
Interest	0	0	0	0	663
Expenditures	(1,246,498)	(1,285,306)	(1,350,268)	(1,414,304)	(1,437,021)
Transfers*	(105)**	(199,653)	(4,625)***	(77,780)	(110,500)
Ending Balance	\$293,851	\$135,350	\$259,361	\$244,659	\$217,472
Encumbrances	\$409	\$10,130	\$5,855	\$2,673	\$1,375

*Transfers to Other Post-Employment Benefits (OPEB) Trust Fund for employer prefund contributions pursuant to Act 268 (SLH 2013).

**Transfer in FY2019 of \$104,616 for an appropriation to the EUTF trust account for EUTF employees' salary for the conversion of exempt to civil service positions pursuant to Act 145 (SLH 2017).

***Transfer in FY2021 of \$124,892 to Collective Bargaining Trust Fund pursuant to Executive Memorandum No. 20-09.

Fund Summary

Account Type	Trust fund
How was the fund created?	Act 88 (SLH 2001)
Why was it created?	The fund is used to provide health and life insurance benefits for eligible active and retired state and county public employees and their dependents. The fund also provides health and other benefit plans for approximately 192,000 people through contracted insurance carriers and pays for administrative and other fund expenses.
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 employee and employer contributions, interest, dividends, refunds, rate credits, vacation transfers, cancelled checks, and purchasing card rebates. Contributions include premiums for health benefits and life insurance carriers, and employee and retiree premiums. Administrative fees, which were previously added to premiums, have been waived through 2029.
Expenditures	Expenditures include premiums and claims to insurance carriers; Medicare Part B reimbursements to retirees and their spouses; and administrative operational expenses, such as payroll, office supplies, in-state and out-of-state travel, consultant services (e.g., health benefits consultant, financial auditors, benefits administration system), training, and postage.

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 established pursuant to an act.
Additional information	In Report No. 18-17, the Auditor reported the Hawai'i Employer-Union Health Benefits Trust Fund – Outside State Treasury and the Hawai'i Employer-Union Health Benefits Trust Fund – Clearing Held Outside State Treasury trust account as separate funds/accounts. However, both act in conjunction as the EUTF pursuant to Section 87A-30, HRS, and are therefore consolidated above.

Interest Earned – Bond Investment Pool

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$5,311	\$15,074	\$1,259	\$1,264	\$1,305
Revenues	10,242	12,521	228	39	9,031
Interest	705	1,509	11	225	772
Expenditures	(1,184)	(27,845)	(234)	(223)	(220)
Transfers	0	0	0	0	0
Ending Balance	\$15,074	\$1,259	\$1,264	\$1,305	\$10,888
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (2001)
Why was it created?	The account is used as a clearing account for interest earned from short-term investments of general obligation and revenue bonds in the State Treasury Centralized Bond Pool until the earnings are allocated to the General Fund and to revenue bond agencies' various special funds.
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 interest earned on short-term investment of state bond fund moneys in the State's centralized bond fund investment pool.
Expenditures	Expenditures include monthly disbursements of earned interest to the General Fund and revenue bond agencies' various special funds.
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.

Interest Earned – Investment Pool

Financial Data for Fiscal Years 2019 – 2023 (in thousands)					
	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$43,180	\$117,436	\$12,421	\$1,006	\$5,918
Revenues	70,213	118,020	459	4,419	12,010
Interest	4,043	2,962	604	2,112	14,488
Expenditures	0	(225,997)	(12,478)	(1,619)	(6,158)
Transfers	0	0	0	0	0
Ending Balance	\$117,436	\$12,421	\$1,006	\$5,918	\$26,258
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary	
Account Type	Trust account
How was the account created?	Administratively established (2000)
Why was it created?	The account is used as a clearing account for interest earned from short-term investments of state money in the State Treasury Centralized Pool until the earnings are allocated to various funds.
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 interest earned on short-term investments of state money in the State’s centralized investment pool.
Expenditures	Expenditures include monthly disbursements of earned interest to the General Fund, and special funds and trust funds of various State agencies participating in the investment pool.
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	Yes.

Mass Transit Special Fund

Section 248-2.7, HRS

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$81,794	\$78,753	\$63,890	\$77,986	\$95,877
Revenues	324,683	321,590	261,847	359,067	405,534
Interest	0	0	0	0	0
Expenditures	(327,724)	(336,453)	(247,751)	(341,176)	(377,575)
Transfers	0	0	0	0	0
Ending Balance	\$78,753	\$63,890	\$77,986	\$95,877	\$123,836
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Special fund
How was the fund created?	Act 1 (First Special Session 2017)
Why was it created?	The fund is used to provide the City and County of Honolulu with a revenue source for the construction of the Honolulu Authority for Rapid Transit's rail transportation project.
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 a portion of the transient accommodations tax and surcharge on State tax revenues.
Expenditures	Expenditures include disbursements to the City and County of Honolulu for the construction of its rail transportation project, provided that moneys shall not be used for operating or maintenance costs of the mass transit project; or administrative, operating, marketing, or maintenance costs, including personnel costs, of a rapid transportation authority charged with constructing, operating, or maintaining the mass transit project. Funds can be used for capital costs of a locally preferred alternative for mass transit project and cannot be disbursed until the Director of Finance receives a certification statement from the Comptroller.
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 established pursuant to an act.

**Overpayment
Collections to Office
of Hawaiian Affairs –
Ceded Lands**

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$13,975	\$21,287	\$23,770	\$25,439	\$32,246
Revenues	7,312	2,483	1,669	6,807	25,318
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(16,125)
Transfers	0	0	0	0	0
Ending Balance	\$21,287	\$23,770	\$25,439	\$32,246	\$41,439
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (2012)
Why was it created?	The account was used as a holding account for overpayment refunds from the Office of Hawaiian Affairs (OHA) for ceded lands revenue received from other departments or agencies in excess of the quarterly contribution limit and to make up shortfalls in meeting the State’s obligation to OHA pursuant to Act 178 (SLH 2006) and Executive Order No. 06-06. Effective September 27, 2022, the account is now used to collect twenty percent of ceded lands revenue from departments and agencies and to transfer to OHA the full amount of quarterly payments due to OHA; and to return excess payments to, and solicit shortage payments from, the agencies and departments making such payments, pursuant to Executive Order No. 22-04.
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 were from collections of overpayments made to OHA in excess of the quarterly transfers pursuant to Act 178 (SLH 2006) and Executive Order No. 06-06. Effective September 27, 2022, revenues are from quarterly amounts paid by agencies and departments that collect receipts from lands within the public land trust, amounting to 20 percent of income from ceded lands.
Expenditures	Effective September 27, 2022, expenditures include quarterly transfers of \$5,375,000 to OHA pursuant to Act 178 (SLH 2006), as amended by Act 226 (SLH 2022), and Executive Order No. 22-04.
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.

**Public Utilities
Commission Special
Fund**

Section 269-33, HRS

Financial Data for Fiscal Year 2019 (in thousands)

FY2019	
Beginning Balance	\$663
Revenues	0
Interest	0
Expenditures	0
Transfers	(663)
Ending Balance	\$0
Encumbrances	\$0

Fund Summary

Account Type	Special fund
How was the fund created?	Act 226 (SLH 1994)
Why was it created?	The fund was administered by the Public Utilities Commission (PUC) and used to pay all expenses incurred by the PUC and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (DCCA), and for costs incurred by DCCA to fulfill its limited oversight and administrative support functions.
Fund meets criteria?	This fund was closed in FY2019, and the remaining balance was transferred to the General Fund as recommended by the Auditor in Report No. 18-17.
Additional information	Pursuant to Act 108 (SLH 2014), PUC is administratively attached to DCCA effective July 1, 2014.

Special Purpose Revenue Bond – Security Deposit

Financial Data for Fiscal Years 2019 – 2023 (in thousands)					
	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$10	\$6	\$2	\$0	\$0
Revenues	6	2	0	0	1
Interest	0	0	0	0	0
Expenditures	(10)	(6)	(2)	0	0
Transfers	0	0	0	0	0
Ending Balance	\$6	\$2	\$0	\$0	\$1
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary	
Account Type	Trust account
How was the account created?	Administratively established (1989)
Why was it created?	The account is used to reimburse the State for costs and out-of-pocket expenses incurred relating to the issuance of special purpose revenue bonds for projects.
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 non-refundable security deposits for the issuance of special purpose revenue bonds.
Expenditures	Expenditures include transfers to the General Fund when bond issuance proceedings are complete.
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.

**Taxes Payable to
Counties – Fuel Tax**

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$7,554	\$7,865	\$5,280	\$7,616	\$7,541
Revenues	90,643	87,586	77,944	88,767	89,287
Interest	0	0	0	0	0
Expenditures	(90,332)	(90,171)	(75,608)	(88,842)	(89,055)
Transfers	0	0	0	0	0
Ending Balance	\$7,865	\$5,280	\$7,616	\$7,541	\$7,773
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (2006)
Why was it created?	The account is used as a clearing account for liquid fuel tax funds collected pursuant to Section 243-6, HRS, then disbursed to the counties.
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 liquid fuel taxes collected by the Department of Taxation on behalf of the various counties.
Expenditures	Expenditures include monthly disbursements of liquid fuel taxes collected to the respective counties.
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.

Taxes Payable to Counties – General Excise Tax Surcharge

Financial Data for Fiscal Years 2019 – 2023 (in thousands)					
	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$0	\$12,687	\$15,156	\$20,648	\$25,165
Revenues	348,073	383,782	333,481	458,203	514,274
Interest	0	0	0	0	0
Expenditures	(335,386)	(381,313)	(327,989)	(453,686)	(513,432)
Transfers	0	0	0	0	0
Ending Balance	\$12,687	\$15,156	\$20,648	\$25,165	\$26,007
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary	
Account Type	Trust account
How was the account created?	Administratively established (2007)
Why was it created?	The account is used as a holding account for the general excise tax surcharge for mass transit funds or other county surcharge collected pursuant to Section 248-2.6, HRS. The Director of Finance deducts one percent of the gross proceeds to reimburse the State for the cost of assessments, collection, disposition, and oversight of the county surcharge. The amounts retained are general fund realizations of the State and any remaining balance is paid on a quarterly basis to the counties.
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 the general excise tax surcharge collected by the Department of Taxation.
Expenditures	Expenditures include quarterly statutory disbursements of county surcharge to the respective counties that have adopted a county surcharge.
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.

**Taxes Payable
to Counties –
Hawai'i Tourism
Authority Transient
Accommodation Tax**

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	203,000	169,167	39,505	15,500	15,500
Interest	0	0	0	0	0
Expenditures	(203,000)	(169,167)	(39,505)	(15,500)	(15,500)
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 (2005)
Why was it created?	The account is used as a clearing account for monthly transient accommodations tax (TAT) funds owed to various special funds per statute. The account was previously used to transfer TAT to each of the counties and the Hawai'i Tourism Authority (HTA) but Act 1 (First Special Session 2021) repealed TAT to counties and HTA's Tourism Special Fund effective July 1, 2021.
Account meets criteria?	This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established. However, B&F should consider renaming the account as it is no longer used to distribute TAT to counties.
Performance standards	No, the account does not have performance standards.
Revenues	Revenues are from transient accommodation taxes.
Expenditures	Expenditures include distributions to various special funds and the General Fund pursuant to Section 237D-6.5, HRS.
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.

Taxes Payable to Other State Agencies

Financial Data for Fiscal Years 2019 – 2023 (in thousands)					
	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$1,526	\$1,345	\$1,168	\$1,319	\$1,146
Revenues	15,670	15,088	14,343	12,590	10,855
Interest	0	0	0	0	0
Expenditures	(15,851)	(15,265)	(14,192)	(12,763)	(11,301)
Transfers	0	0	0	0	0
Ending Balance	\$1,345	\$1,168	\$1,319	\$1,146	\$700
Encumbrances	\$0	\$0	\$0	\$0	\$0

Fund Summary	
Account Type	Trust account
How was the account created?	Administratively established (2007)
Why was it created?	The account is used as a clearing account into which tax collections are held until distributed to the University of Hawai'i (UH) for special funds it administers, including the Hawai'i Cancer Research Special Fund pursuant to Act 316 (SLH 2006) and the UH Energy Systems Development Special Fund pursuant to Act 73 (SLH 2010), as well as for fuel tax revenues pending distribution.
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 excise taxes for each cigarette sold, used, or possessed by a wholesaler or dealer; and environmental taxes.
Expenditures	Expenditures include monthly disbursements to the University of Hawai'i administered Hawai'i Cancer Research Special Fund and UH Energy Systems Development Special Fund.
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.

**Temporary Deposits –
Budget and Finance**

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

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

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (prior to 1980)
Why was it created?	The account is used to hold temporary deposits related to vendor bids, performance bonds, salary overpayments, and various other administrative temporary deposits; however, the department stated there has been no activity since FY2021.
Account meets criteria?	This account does <i>not</i> meet all the criteria of a trust account because it functions more like a trust fund, and it no longer serves the purpose for which it was originally established. <i>The account should be reclassified as a trust fund or closed; or a separate trust fund should be established for vendor bid deposits and performance bonds.</i>
Performance standards	No, the account does not have performance standards.
Revenues	Revenues are from temporary deposits related to vendor bids, performance bonds, salary overpayments, and various other administrative temporary deposits.
Expenditures	Expenditures are disbursements to the appropriate accounts.
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.

**Temporary Deposits
– Budget and
Finance Financial
Administration Division**

Financial Data for Fiscal Year 2021 (in thousands)

	FY2021
Beginning Balance	\$0
Revenues	30
Interest	0
Expenditures	(30)
Transfers	0
Ending Balance	\$0
Encumbrances	\$0

Fund Summary

Account Type	Trust account
How was the account created?	Administratively established (2021)
Why was it created?	The account is used as a temporary holding account to deposit funds received from outside the state to pass through to another outside entity. The account is inactive, and the department stated this account will not be used regularly; only rarely when the state receives funds as a pass-through to another outside entity.
Account meets criteria?	This account does <i>not</i> meet all the criteria of a trust account. The account should be closed because it is inactive, and the department noted it is rarely used. In addition, it functions more like a trust fund when used because deposits from outside entities can only be used for another designated outside entity.
Performance standards	No, the account does not have performance standards.
Revenues	Revenues are from deposits from outside entities to be passed through the State to another outside entity.
Expenditures	Expenditures include disbursements of deposits passed through to other outside entities.
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	No.

**Unclaimed Property
Trust Fund**

Section 523A-26, HRS

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

	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning Balance	\$19,648	\$20,922	\$21,639	\$25,804	\$31,191
Revenues	30,418	31,987	41,083	41,550	46,177
Interest	0	0	0	0	0
Expenditures	(29,144)	(31,270)	(36,898)	(36,163)	(44,511)
Transfers	0	0	(20)*	0	0
Ending Balance	\$20,922	\$21,639	\$25,804	\$31,191	\$32,857
Encumbrances	\$38	\$31	\$25	\$22	\$35

*Transfer of \$20,187 to Collective Bargaining Trust Fund pursuant to Executive Memorandum No. 20-09.

Fund Summary

Account Type	Trust fund
How was the fund created?	Act 55 (SLH 2008)
Why was it created?	The fund is used to collect remittances of unclaimed property and is the source from which claims for return of abandoned property are paid. The State serves as custodian of all unclaimed property by annually receiving reports of abandoned property, reporting such property to the general public, and safekeeping all property until the rightful owner files a claim. The fund holds these moneys until the rightful owner files a claim and provides evidence of ownership.
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 moneys collected by the Unclaimed Property Program from holders of property presumed abandoned on an annual basis and all proceeds from the sale of unclaimed property, less costs in connection with the sale of the abandoned property. Revenues also include dividends from securities, proceeds from security sales, and proceeds from safe deposit box auction sales.
Expenditures	Expenditures include claims for the return of abandoned property to their rightful owners; payment to other states' unclaimed property programs for owners whose last known address was in that state; any costs incurred in connection with the sale of abandoned property; costs of mailing and publication in connection with any abandoned property; reasonable service charges; costs incurred in examining the records of holders of property and in collecting such property; and any other administrative expenses necessary to administer the program. At the end of each fiscal year, all unencumbered and unexpended moneys in excess of \$1.3 million are transferred to the General Fund pursuant to Section 523A-26(d), HRS.

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 established pursuant to an act.
Additional information	The Unclaimed Property Trust Fund was originally established pursuant to Act 172 (SLH 2000) and codified as Section 523A-23.5, HRS. Act 55 (SLH 2008) repealed Section 523A-23.5, HRS, and re-established the fund, which is codified as Section 523A-26, HRS. The purpose and use of the fund has not changed.

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, B&F had administratively created non-general funds with balances totaling approximately \$0 that were not reported to the Legislature as required by Section 37-52.5, HRS; non-general funds with balances totaling approximately \$22.3 billion that were not reported to the Legislature as required by Section 37-47, HRS; non-general funds with balances totaling \$22.6 billion that were not reported to the Legislature as required by Section 37-48, HRS; and non-general funds with balances totaling \$22.6 billion 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)
Employees' Retirement System of the State of Hawai'i	Trust Fund	✓	\$22,324,746,000	✓	\$22,324,746,000	✓	\$22,324,746,000		
Hawai'i Children's Trust Fund	Trust Account					✓	37,000		
Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) – Outside State Treasury	Trust Fund			✓	217,472,000	✓	217,472,000		
Interest Earned – Bond Investment Pool	Trust Account					✓	10,888,000		
Interest Earned – Investment Pool	Trust Account			✓	26,258,000	✓	26,258,000		
Special Purpose Revenue Bond – Security Deposit	Trust Account					✓	1,000		
Taxes Payable to Counties – Fuel Tax	Trust Account					✓	7,773,000		
Taxes Payable to Counties – General Excise Tax Surcharge	Trust Account					✓	26,007,000		
Taxes Payable to Counties – Hawai'i Tourism Authority Transient Accommodation Tax	Trust Account					✓	0		
Taxes Payable to Other State Agencies	Trust Account					✓	700,000		
Temporary Deposits – Budget and Finance Financial Administration Division	Trust Account					✓	0	✓	\$0
Total			\$22,324,746,000		\$22,568,476,000		\$22,613,881,000		\$0

Source: Office of the Auditor

Office of the Auditor's Comments on the Department of Budget and Finance's Response

Comments on Agency Response

WE TRANSMITTED a draft of this review to the Department of Budget and Finance (B&F) on January 5, 2024. We received B&F's formal response to the draft report, which is attached in its entirety as Attachment 1. B&F represented that it will thoroughly review each of the items brought up in the report and take appropriate action to address them.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
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January 11, 2024

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

Dear Mr. Kondó: *LES*

The following are the Department of Budget and Finance's (B&F) comments in response to your January 5, 2024, letter relating to the draft report, "Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Budget and Finance."

The B&F will thoroughly review each of the items that has been brought up by your office in the draft report and take steps to address each of the items accordingly. Thank you for the opportunity to comment on the draft report. Please have your staff contact Mr. Tracy Ban at 586-1601 if you have questions.

Sincerely,

Luis P. Salaveria
Director of Finance