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DEPT. COMM. NO. 417

June 30, 2026

VIA EMAIL

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

VIA EMAIL

The Honorable Nadine K. Nakamura
Speaker, House of Representatives
415 South Beretania Street
Hawaiʻi State Capitol, Room 431
Honolulu, Hawaiʻi 96813

Re: *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Commerce and Consumer Affairs*, Report No. 26-09

Dear President Kouchi and Speaker Nakamura:

Please find attached Report No. 26-09, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Commerce and Consumer Affairs* along with a copy of the Auditor's Summary. Our review of the department's funds and accounts was performed pursuant to Section 23-12, Hawaiʻi Revised Statutes (HRS), which 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, therefore, are generally subject to less legislative scrutiny. We last reported on the Department of the Commerce and Consumer Affair's funds and accounts in 2020.

The report is accessible through our website at:
https://files.hawaii.gov/auditor/Reports/2026/26-09.pdf.

The summary is also accessible through our website at:
httsp://files.hawaii.gov/auditor/Overviews/2026/26-09AuditorSummary.pdf.

If you or other Legislators have questions about the report or would like a printed version of the report, please let me know.

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:LYK:lml

cc/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 Commerce and Consumer Affairs

Report No. 26-09

Two special funds, six trust funds, and eight trust accounts did not meet criteria

OUR REVIEW of 18 special funds, 13 trust funds, and eight trust accounts of the Department of Commerce and Consumer Affairs (DCCA) found two special funds, six trust funds, and eight trust accounts did not meet the criteria for special funds, trust funds, and trust accounts, 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 DCCA's revolving funds, trust funds, and trust accounts. It is our third review of the special funds held by DCCA 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 DCCA did not file statutorily required reports for non-general funds with balances totaling approximately $69.4 million under the program measures reporting requirement and administratively created non-general funds with balances totaling approximately $74.7 million. 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

DCCA GENERALLY DISAGREED WITH OUR FINDINGS but agreed with our recommendation for one of the funds and accounts. DCCA also disagreed with our findings related to reporting shortfalls as DCCA argues that certain funds and accounts are not required to be reported under Section 37-52.5, HRS. We maintain our recommendations.

Link to the complete report:
https://files.hawaii.gov/auditor/Reports/2026/26-09.pdf

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Commerce and Consumer Affairs

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

Report No. 26-09
June 2026



OFFICE OF THE AUDITOR
STATE OF HAWAI‘I

OFFICE OF THE AUDITOR
STATE OF HAWAIʻI

Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawaiʻi 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.

Hawaiʻi 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 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, annual reviews of tax incentives, 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

COVER PHOTO: OFFICE OF THE AUDITOR

Foreword

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

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 Commerce and Consumer Affairs. 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 Commerce and Consumer Affairs.

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 Commerce and Consumer Affairs (DCCA). 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 DCCA's revolving funds, trust funds, and trust accounts.[1] It is our third review of DCCA'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 2020.

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 DCCA.

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 (FY2021 – FY2025) unaudited financial summary for each fund and account of DCCA.

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts administered by DCCA during the five-year period under review (FY2021 – FY2025). Funds and accounts included those established by statute as well as administratively.

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, 2020 to June 30, 2025), 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 FY2020 reported in our last review and opening balances reported for FY2021. 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. 20-18, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Commerce and Consumer Affairs*.

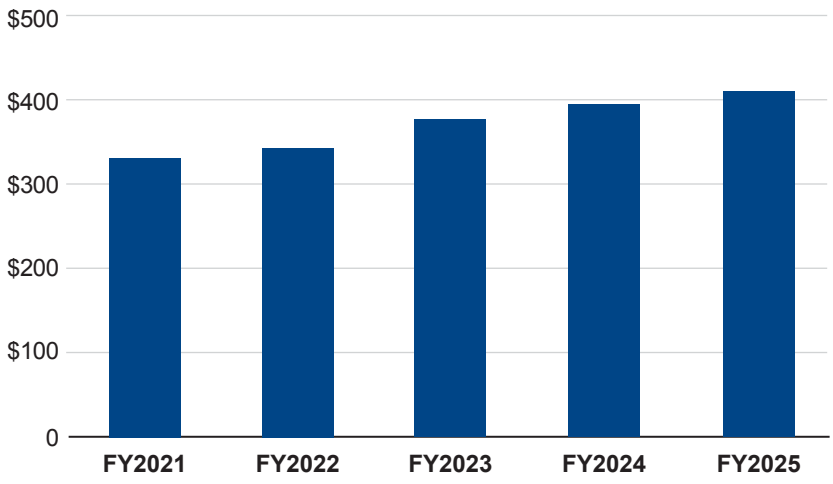
Our review was conducted from October 2025 to May 2026. Recommendations were made where applicable.

Chapter 2
Department of Commerce and Consumer Affairs

This chapter presents the results of our review of 18 special funds, 13 trust funds, and eight trust accounts. Total fund fiscal year-end balances for DCCA were at least $330 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 Commerce and Consumer Affairs' Non-General Funds FY2021 – FY2025 (in millions)



	FY2021	FY2022	FY2023	FY2024	FY2025
Total	$331,000,000	$343,000,000	$377,000,000	$395,000,000	$410,000,000

Source: Office of the Auditor

In FY2025, the special funds, trust funds, and trust accounts collected approximately $171.5 million and spent or transferred approximately $153.8 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 FY2025.

Exhibit 2.2
Fund and Account Totals by Type, FY2025

Fund Type	Revenue and Interest	Expenses and Transfers	FY2025 End Cash Balance
Special Funds	$106,367,000	$113,241,000	$154,394,000
Trust Funds/ Trust Accounts	65,155,000	40,517,000	255,793,000
Total	**$171,522,000**	**$153,757,000**	**$410,187,000**

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 DCCA funds that did not meet criteria for continuance and should be closed or reclassified.

Exhibit 2.3
Funds Not Meeting Criteria

Fund Name	Fund Type	FY2025 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
Appraisal Management Company Registry Fee	Trust Account	$50,075					✓
Captive Insurance Companies LOC Escrow	Trust Account	646					✓
Commissioner's Education and Training Fund	Trust Fund	1,714,527					✓
Condominium Education Trust Fund	Trust Fund	1,984,973					✓
Contractors Education Fund	Trust Fund	689,747					✓
Hurricane Reserve Trust Fund (Not in State Treasury)	Trust Fund	171,447,566					✓
Insurance Division Restitution	Trust Account	0					✓
Mortgage Foreclosure Dispute Resolution Fund	Special Fund	114,393	✓				
Motorcycle and Motor Scooter Operators Education Fund	Special Fund	0			✓		
Multi-State Mortgage Servicer Agreement Fund	Trust Account	0	✓				✓
Premium Taxes Paid Pending Appeal	Trust Account	0					✓
Real Estate Appraisers	Trust Account	585					✓
Real Estate Education Fund	Trust Fund	2,888,999					✓
Service Contract Provider's Financial Security Deposit	Trust Account	100,000					✓
Telecommunications Relay Services Surcharge (Not in State Treasury)	Trust Fund	927,393					✓
Trust Clearing Account	Trust Account	3,381,500					✓
Total		**$183,300,404**					

Source: Office of the Auditor

Appraisal Management Company Registry Fee

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$32	$32	$33	$33	$33
Revenues	0	1	0	0	17
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	**$32**	**$33**	**$33**	**$33**	**$50**
Encumbrances	$0	$0	$0	$0	$0

Fund Summary

Account Type

Trust account

How was the account created?

Administratively established (2018)

Why was it created?

The account is used to collect annual registry fees from registered Appraisal Management Companies (AMC), which are transferred to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC).

Account meets criteria?

This account does *not* meet all the criteria of a trust account because it functions more like a trust fund but continues to serve the purpose for which it was originally established. 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 while trust accounts are used to hold funds for other state agencies. In this case, funds are being held for the federal government. ***Therefore, the account should be reclassified as a trust fund.***

Performance standards

No, the account does not have performance standards.

Revenues

Revenues are from the annual registry fee from licensed AMCs. According to the department, the federally required fee was not collected during FY2021 through FY2024. The department began collecting annual registry fees again in FY2025 and resumed remitting funds to the federal government in FY2026.

Expenditures

Expenditures include registry fees transferred to the Appraisal Subcommittee of the FFIEC.

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.

Cable Television (Not in State Treasury)

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$883	$883	$884	$884	$884
Revenues	0	0	0	0	0
Interest	0	1	0	0	1
Expenditures	0	0	0	0	0
Transfers*	0	0	0	0	(76)
Ending Balance	**$883**	**$884**	**$884**	**$884**	**$809**
Encumbrances	$0	$0	$0	$0	$0

*Transfer in FY2025 to Hoike–Kaua‘i Community Television, Inc. for additional franchise fees per a Cable Television Division administrative adjustment.

Fund Summary

Account Type

Trust fund

How was the fund created?

Administratively established (2001)

Why was it created?

The fund is used to hold excess franchise fees which are used for institutional network and broadband purposes in accordance with Decision and Order No. 346 issued on January 14, 2010.

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

Pursuant to Decision and Order No. 346 on January 14, 2010, franchise fees over the cap amount paid by Spectrum Oceanic to ‘Ōlelo were held in this fund; however, pursuant to Decision and Order No. 372 on March 23, 2018, no additional future funds will be deposited into this fund by Spectrum Oceanic. Therefore, current revenues are only from interest earned.

Expenditures

Expenditures include expenses related to institutional network and broadband purposes as determined by the DCCA Director.

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.

Captive Insurance Administrative Fund

Section 431:19-101.8, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$9,224	$9,902	$10,432	$11,273	$12,437
Revenues	3,143	3,200	3,628	3,539	4,293
Interest	52	45	225	389	336
Expenditures	(2,482)	(2,715)	(3,001)	(2,764)	(4,564)
Transfers*	(35)	0	(11)	0	0
Ending Balance	**$9,902**	**$10,432**	**$11,273**	**$12,437**	**$12,502**
Encumbrances	$536	$363	$278	$582	$698

*Transfers of vacation pay liability for Captive Insurance Administrative Branch employees who transferred out of the branch.

Fund Summary

Account Type

Special fund

How was the fund created?

Act 261 (SLH 1997)

Why was it created?

The fund is used to support the Captive Insurance Administrative Branch's licensing, development, and regulation of captive insurance companies, and the promotion of Hawai'i as a captive insurance domicile.

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 premium taxes; and application, licensing, and examination fees.

Expenditures

Expenditures include personnel and administrative costs related to the licensing, monitoring, regulation, and development of captive insurance companies, and the promotion of Hawai'i as a captive insurance domicile.

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.

Captive Insurance Companies LOC Escrow

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$1	$1	$1	$1	$1
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	**$1**	**$1**	**$1**	**$1**	**$1**
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 to hold proceeds from letters of credit (LOC) issued on behalf of captive insurance licensees that the Insurance Commissioner may draw on to cover liabilities when a captive insurance company is in an adverse financial condition, is dissolving, or has their license revoked or suspended, including claims, creditors, fees, and fines.

Account meets criteria?

This account does *not* meet the criteria of a trust account because it functions more like a trust fund but continues to serve the purpose for which it was originally established. 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 while trust accounts are used to hold funds for other state agencies. In this case, the account is not a holding or clearing account between state agencies and proceeds from letters of credit would be used to satisfy liabilities of a captive insurance licensee. ***Therefore, the account should be reclassified as a trust fund.***

Performance standards

No, the account does not have performance standards.

Revenues

Revenues are from interest and would also be cash if drawn from the LOC.

Expenditures

Expenditures include payments to cover liabilities of a captive insurance licensee, including creditors' claims, fees, and fines.

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.

Commissioner's Education and Training Fund

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$1,469	$1,545	$1,495	$1,518	$1,612
Revenues	91	34	74	151	151
Interest	8	6	32	55	51
Expenditures	(23)	(90)	(83)	(112)	(99)
Transfers	0	0	0	0	0
Ending Balance	**$1,545**	**$1,495**	**$1,518**	**$1,612**	**$1,715**
Encumbrances	$3	$17	$2	$3	$16

Fund Summary

Account Type

Trust fund

How was the fund created?

Administratively established (1988)

Why was it created?

The fund is used to pay for the education and training of Insurance Division personnel as well as consumer education and information offered by the Insurance Division.

Fund meets criteria?

This fund does *not* meet all the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established. ***The fund should be reclassified as a special fund as previously recommended in Report Nos. 20-18 and 15-12.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from filing fees paid by insurance companies.

Expenditures

Expenditures include the costs of education and training for Insurance Division personnel, and the costs to provide education and information to consumers.

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

No.

Compliance Resolution Fund – Business Registration

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$25,941	$27,338	$33,308	$39,928	$45,476
Revenues	8,799	14,151	15,558	15,782	16,258
Interest	153	111	651	1,421	1,439
Expenditures	(6,176)	(6,839)	(7,264)	(7,665)	(9,585)
Transfers*	(1,379)	(1,453)	(2,325)	(3,990)	(9,285)
Ending Balance	**$27,338**	**$33,308**	**$39,928**	**$45,476**	**$44,303**
Encumbrances	$96	$1,841	$1,443	$1,781	$1,665

*Transfers to the Compliance Resolution Fund – General Support, Protection of the Consumer, for administrative overhead. Transfers in FY2021 and FY2023 of $218,758 and $73,372 to the 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 322 (SLH 1993)

Why was it created?

The fund is used to support the Business Registration and Securities Registration programs that maintain business registration filings, assist with business registration requirements, and ensure compliance with state securities and franchise laws.

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 business registration fees, franchise filing fees, securities fees, and penalties.

Expenditures

Expenditures include personnel and operational costs to administer the 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 established pursuant to an act.

Compliance Resolution Fund – Cable Television

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$10,105	$8,938	$7,638	$7,606	$6,022
Revenues	1	0	1,400	281	6,130
Interest	58	38	173	279	219
Expenditures	(872)	(1,033)	(1,001)	(1,234)	(2,117)
Transfers*	(354)	(305)	(604)	(910)	(1,230)
Ending Balance	**$8,938**	**$7,638**	**$7,606**	**$6,022**	**$9,024**
Encumbrances	$1,278	$517	$529	$368	$327

*Transfers to the Compliance Resolution Fund – General Support, Protection of the Consumer, for administrative overhead. Transfers in FY2021 and FY2023 of $11,383 and $9,563 to the 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 129 (SLH 1999)

Why was it created?

The fund is used to support the Cable Television Division's responsibilities to promote responsive and reliable cable communications services by issuing cable franchises to qualified and suitable operators, regulating the operators to ensure compliance with state and federal laws, and expanding access to broadband.

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 annual franchise fees paid by two cable television operators in the State.

Expenditures

Expenditures include the costs to operate the Cable Television Division and the programs administered by the division.

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.

Compliance Resolution Fund – Financial Services Regulation

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$11,199	$12,743	$14,973	$15,111	$14,422
Revenues	6,729	7,668	6,229	6,095	7,792
Interest	59	44	284	520	443
Expenditures	(4,440)	(4,848)	(5,017)	(5,394)	(5,951)
Transfers*	(804)	(634)	(1,358)	(1,910)	(2,181)
Ending Balance	**$12,743**	**$14,973**	**$15,111**	**$14,422**	**$14,525**
Encumbrances	$166	$251	$43	$162	$106

*Transfers to the Compliance Resolution Fund – General Support, Protection of the Consumer, for administrative overhead. Transfers in FY2021 and FY2023 of $95,996 and $34,085 to the 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 11 (First Special Session 1995), as amended by Act 129 (SLH 1999)

Why was it created?

The fund is used to support the operations of the Division of Financial Institutions, including the costs associated with the activities of financial institution examiners and staff.

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 taxes collected from banks and other financial institutions, licensing and renewal fees, assessments, and administrative fines.

Expenditures

Expenditures include personnel, equipment, supplies, and other operational expenses for the Division of Financial Institutions.

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.

Compliance Resolution Fund – General Support, Protection of the Consumer

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)*

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$3,456	$3,119	$2,192	$6,214	$7,356
Revenues	783	1,226	1,282	521	1,062
Interest	20	11	44	150	253
Expenditures	(8,427)	(8,874)	(9,586)	(18,343)	(26,035)
Transfers**	7,287	6,710	12,282	18,814	27,084
Ending Balance	**$3,119**	**$2,192**	**$6,214**	**$7,356**	**$9,720**
Encumbrances	$225	$813	$1,106	$1,001	$2,352

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

**Transfers received quarterly from eight other Compliance Resolution Funds for administrative overhead. Transfers in FY2021 and FY2023 of $124,614 and $61,189 to the 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 129 (SLH 1999)

Why was it created?

The fund is used to support the operations of the DCCA and provide financial resources for DCCA programs.

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 administrative fees from Medical Inquiry and Conciliation Panel claims, publication/copy fees, interest income, and P-card rebates. The fund also receives transfers from certain DCCA divisions as an assessment for administrative overhead.

Expenditures

Expenditures include personnel, operating, equipment, and building renovation costs of DCCA, as well as financial support of individual 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 established pursuant to an act.

Compliance Resolution Fund – Insurance Regulation Fund

Section 431:2-215, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$3,746	$7,317	$10,727	$13,773	$12,412
Revenues	14,246	13,391	14,104	12,749	13,904
Interest	26	33	239	505	381
Expenditures	(8,849)	(8,973)	(8,724)	(10,532)	(13,083)
Transfers*	(1,852)	(1,041)	(2,573)	(4,083)	(5,516)
Ending Balance	**$7,317**	**$10,727**	**$13,773**	**$12,412**	**$8,098**
Encumbrances	$453	$1,060	$311	$677	$819

*Transfers to the Compliance Resolution Fund – General Support, Protection of the Consumer, for administrative overhead. Transfers in FY2021 and FY2023 of $173,894 and $73,174 to the 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 163 (SLH 1999), as amended by Act 39 (SLH 2002)

Why was it created?

The fund is used to support the Insurance Division and its programs to regulate Hawai‘i’s insurance industry.

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, fines, penalties, assessments, and reimbursements collected by the Insurance Division.

Expenditures

Expenditures include administrative and personnel costs associated with all programs of the Insurance Division, and supporting offices and divisions.

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.

Compliance Resolution Fund – Office of Consumer Protection – Unfair/ Deceptive Practice

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$10,013	$10,515	$7,073	$8,613	$6,992
Revenues	3,421	515	5,180	1,072	1,965
Interest	60	42	17	312	256
Expenditures	(2,148)	(2,338)	(2,545)	(2,066)	(3,120)
Transfers*	(831)	(1,661)	(1,112)	(939)	(716)
Ending Balance	**$10,515**	**$7,073**	**$8,613**	**$6,992**	**$5,377**
Encumbrances	$41	$58	$26	$31	$81

*Transfers to the Compliance Resolution Fund – General Support, Protection of the Consumer, for administrative overhead. Transfers in FY2021 and FY2023 of $30,386 and $23,309 to the 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 129 (SLH 1999)

Why was it created?

The fund is used to support the operations of the Office of the Consumer Protection and its coordination of consumer protection activities at all state departments.

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 settlements, judgments, and fines.

Expenditures

Expenditures include personnel costs, litigation costs, and general operating expenses.

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.

Compliance Resolution Fund – Post-Secondary Education Authorization Special Subaccount

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$295	$315	$452	$472	$506
Revenues	154	243	164	187	113
Interest	2	1	7	16	15
Expenditures	(132)	(107)	(150)	(169)	(197)
Transfers*	(4)	0	(1)	0	0
Ending Balance	**$315**	**$452**	**$472**	**$506**	**$437**
Encumbrances	$0	$0	$0	$0	$1

*Transfers of $4,220 and $1,444 in FY2021 and FY2023 to the 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 180 (SLH 2013)

Why was it created?

The fund is used to support the operations of the Post-Secondary Education Authorization Program to determine whether a private college or university, seminary, or religious training institution should be granted authorization to operate in 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 application fees for authorization and reauthorization every two years thereafter.

Expenditures

Expenditures include personnel costs and other operational costs of the 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 established pursuant to an act.

Additional information

According to the department, while the program is currently operational, projections show that the fund does not have the capacity to be financially self-sustaining and there are no immediate plans to raise fees.

Compliance Resolution Fund – Professional, Vocational, and Personal Services

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$10,787	$9,075	$11,399	$13,154	$13,851
Revenues	6,534	10,588	9,533	9,986	8,082
Interest	59	37	220	420	381
Expenditures	(6,991)	(7,711)	(6,069)	(6,788)	(8,355)
Transfers*	(1,314)	(590)	(1,929)	(2,921)	(3,782)
Ending Balance	**$9,075**	**$11,399**	**$13,154**	**$13,851**	**$10,177**
Encumbrances	$770	$239	$116	$560	$1,317

*Transfers to the Compliance Resolution Fund – General Support, Protection of the Consumer, for administrative overhead. Transfers in FY2021 and FY2023 of $232,705 and $70,831 to the 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 322 (SLH 1993)

Why was it created?

The fund is used to support the operations of the Professional and Vocational Licensing Division, which works to ensure that professional, vocational, and personal services meet standards of quality, equity, and dependability.

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 charged to applicants, licensees, and the public for services provided.

Expenditures

Expenditures include personnel and operating expenditures of the division.

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.

Compliance Resolution Fund – Public Utilities Commission Special Fund – Consumer Advocacy

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$11,022	$11,927	$10,893	$12,095	$12,258
Revenues	4,508	2,302	4,613	4,604	4,931
Interest	57	47	234	430	376
Expenditures	(3,002)	(2,836)	(2,554)	(3,426)	(4,410)
Transfers*	(658)	(547)	(1,091)	(1,445)	(1,476)
Ending Balance	**$11,927**	**$10,893**	**$12,095**	**$12,258**	**$11,679**
Encumbrances	$1,212	$1,239	$1,502	$1,543	$1,494

*Transfers to the Compliance Resolution Fund – General Support, Protection of the Consumer, for administrative overhead. Transfers in FY2021 and FY2023 of $43,455 and $25,944 to the 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 322 (SLH 1993)

Why was it created?

The fund is used to fund the operations of the Division of Consumer Advocacy, which represents, advances, and protects the interests of consumers of regulated utility and transportation services.

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 public utility fees that are transferred from the Public Utilities Commission special fund.

Expenditures

Expenditures include personnel costs and consulting service expenses, as well as operational and administrative costs of the Division of Consumer Advocacy.

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.

Compliance Resolution Fund – Regulated Industries Complaints Office

Section 26-9(o), HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$12,571	$12,280	$15,614	$18,843	$19,260
Revenues	7,226	10,435	11,180	9,804	9,063
Interest	70	51	308	639	595
Expenditures	(6,429)	(6,674)	(6,536)	(7,411)	(8,689)
Transfers*	(1,158)	(478)	(1,723)	(2,615)	(3,346)
Ending Balance	**$12,280**	**$15,614**	**$18,843**	**$19,260**	**$16,883**
Encumbrances	$282	$74	$84	$102	$232

*Transfers to the Compliance Resolution Fund – General Support, Protection of the Consumer, for administrative overhead. Transfers in FY2021 and FY2023 of $131,431 and $62,768 to the 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 322 (SLH 1993)

Why was it created?

The fund is used to support the entire operations of the Regulated Industries Complaints Office (RICO), which receives and screens concerns, complaints, and tips; conducts reviews and investigations; prosecutes cases alleging violations of Hawai'i's professional and vocational licensing laws; and provides educational information to consumers and regulated industries.

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 licensing fees, fines, and assessments.

Expenditures

Expenditures include all operational costs of RICO, including program, administrative, and personnel costs.

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.

Condominium Education Trust Fund

Section 514B-71, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$1,744	$1,773	$1,161	$1,549	$1,478
Revenues	768	126	1,216	666	1,465
Interest	0	0	0	0	0
Expenditures	(720)	(738)	(819)	(737)	(808)
Transfers*	(19)	0	(9)	0	(150)
Ending Balance	$1,773	$1,161	$1,549	$1,478	$1,985
Encumbrances	$17	$20	$13	$13	$106

*Transfers in FY2021 and FY2023 of $18,536 and $8,903 to the Collective Bargaining special fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively. Transfer in FY2025 of $150,000 to the Legislative Reference Bureau for a condominium study pursuant to Act 43 (SLH 2024).

Fund Summary

Account Type

Trust fund

How was the fund created?

Act 93 (SLH 2005)

Why was it created?

The fund is used to support: 1) education and research in the fields of condominium management, condominium registration, and real estate for the benefit of the public; 2) the improvement and more efficient administration of condominium associations; and 3) expeditious and inexpensive procedures for resolving condominium association disputes.

Fund meets criteria?

This fund does *not* meet all the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established. 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. ***Therefore, the fund should be reclassified as a special fund.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from developers' final public report fees, and condominium associations' registration and biennial re-registration fees.

Expenditures

Expenditures include administrative staff salaries, production of educational materials and courses, and mediation and arbitration 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.

Contractors Education Fund

Section 444-29, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$655	$667	$673	$690	$718
Revenues	12	6	17	28	26
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(54)
Transfers	0	0	0	0	0
Ending Balance	**$667**	**$673**	**$690**	**$718**	**$690**
Encumbrances	$0	$0	$0	$0	$2

Fund Summary

Account Type

Trust fund

How was the fund created?

Act 170 (SLH 1973)

Why was it created?

The fund is used for the Contractors License Board's educational programs to explain the benefits of using a licensed contractor to the public.

Fund meets criteria?

This fund does *not* meet all the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established. 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. ***Therefore, the fund should be reclassified as a special fund.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from investment interest from the Contractors Recovery Fund, along with a $10 fee paid by new contractor licensees and biennial license renewal fees.

Expenditures

Expenditures include national association dues, meeting registration fees, travel expenses, publication of educational materials, and overtime pay for clerical staff as needed.

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.

Contractors Recovery Fund

Section 444-26, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$904	$793	$775	$774	$786
Revenues	51	65	67	75	67
Interest	0	0	0	0	0
Expenditures	(162)	(83)	(68)	(63)	(47)
Transfers	0	0	0	0	0
Ending Balance	**$793**	**$775**	**$774**	**$786**	**$806**
Encumbrances	$0	$8	$0	$0	$0

Fund Summary

Account Type

Trust fund

How was the fund created?

Act 170 (SLH 1973)

Why was it created?

The fund is used to award damages to persons injured by an act, representation, transaction, or conduct of a licensed contractor in violation of Hawai'i laws.

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 a $150 fee from applicants for a contractor's license and renewal fees.

Expenditures

Expenditures include payments for damages suffered, not to exceed $12,500 per contract, to claimants who have obtained a court order against a licensed contractor.

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.

Drivers' Education Fund

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$4	$17	$20	$1	$5
Revenues	3,234	3,326	3,398	3,376	3,367
Interest	9	1	8	21	24
Expenditures	0	0	0	0	0
Transfers*	(3,230)	(3,324)	(3,425)	(3,393)	(3,395)
Ending Balance	**$17**	**$20**	**$1**	**$5**	**$1**
Encumbrances	$0	$0	$0	$0	$0

*Transfers to the Judiciary and the Department of Education in accordance with Section 431:10C-115, HRS.

Fund Summary

Account Type
Special fund

How was the fund created?
Administratively established (1988)

Why was it created?
The fund is used to collect drivers' education fund underwriters' fees for disbursement to the Judiciary and Department of Education to provide drivers' education and training.

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 an annual $3 underwriters' fee assessed to insurers for each motor vehicle insured.

Expenditures
The fund has no expenditures; all revenues are disbursed to the Judiciary and the Department of Education.

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
No.

Electric Vehicle Charging System Rebate Program

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

	FY2021	FY2022
Beginning Balance	$150	$173
Revenues	250	0
Interest	0	0
Expenditures	(227)	(173)
Transfers	0	0
Ending Balance	**$173**	**$0**
Encumbrances	$173	$0

Fund Summary

Account Type

Special fund

How was the fund created?

Administratively established (2019)

Why was it created?

The fund was used to support a rebate program to incentivize electric vehicle charging system installations and upgrades.

Fund meets criteria?

This fund was closed in FY2022, as recommended by the Auditor in Report No. 20-18.

Electric Vehicle Charging System Subaccount

Section 269-33(e), HRS

Financial Data for Fiscal Years 2022 – 2024 (in thousands)

	FY2022	FY2023	FY2024
Beginning Balance	$0	$714	$1,062
Revenues	812	750	0
Interest	0	0	0
Expenditures	(98)	(402)	(550)
Transfers*	0	0	(512)
Ending Balance	**$714**	**$1,062**	**$0**
Encumbrances	$2	$550	$0

*Transfer to the Electric Vehicle Charging System Subaccount within the Public Utilities Commission Special Fund.

Fund Summary

Account Type

Special fund

How was the fund created?

Act 75 (SLH 2021)

Why was it created?

The fund was used to support the administration of the electric vehicle charging system rebate program.

Fund meets criteria?

This fund was closed in FY2024, and the remaining balance was transferred to the Electric Vehicle Charging System Subaccount within the Public Utilities Commission Special Fund.

Hawai‘i Public Benefits Fee

Financial Data for Fiscal Years 2021 – 2025 (in thousands)*					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$10,353	$3,598	$8,493	$31,797	$48,677
Revenues	33,606	41,133	52,302	44,989	47,674
Interest	5	23	568	1,734	2,591
Expenditures	(40,366)	(36,261)	(29,566)	(29,843)	(31,288)
Transfers	0	0	0	0	0
Ending Balance	**$3,598**	**$8,493**	**$31,797**	**$48,677**	**$67,654**
Encumbrances	$0	$0	$0	$0	$0

*DCCA reported that Public Benefits Fee moneys are held in an account with Bank of Hawai‘i and are outside of the State Treasury. We could not verify the financial data as there is no corresponding account in FAMIS for these moneys.

Fund Summary

Account Type

Trust fund

How was the fund created?

Administratively established (2008)

Why was it created?

The fund is used to receive all or a portion of surcharges paid by ratepayers which are used to support the Hawai‘i Energy program.

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 contributions, determined by the Public Utilities Commission, of the demand-side management surcharge (“Public Benefits Fee” or “PBF”) paid by customers of Hawaiian Electric Companies.

Expenditures

Expenditures include the costs of Hawai‘i Energy programs and services including the costs for consultants such as the Energy Efficiency Contract Manager, the Evaluation, Measurement, and Verification Contractor, the PBF fiscal agent, and the PBF fiscal auditor.

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.

Hurricane Reserve Trust Fund (Not in State Treasury)

Section 431P-16, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$183,840	$191,239	$187,189	$172,968	$169,027
Revenues	11,872	116	0	619	8,020
Interest	0	0	0	0	0
Expenditures	(4,473)	(4,166)	(14,221)	(4,560)	(5,599)
Transfers	0	0	0	0	0
Ending Balance	**$191,239**	**$187,189**	**$172,968**	**$169,027**	**$171,448**
Encumbrances	$0	$0	$0	$0	$0

Fund Summary

Account Type

Trust fund

How was the fund created?

Act 339 (SLH 1993), as amended by Act 17 (First Special Session 1995)

Why was it created?

The fund is used to support the administration of the Hawai'i Hurricane Relief Fund (HHRF), which assesses the availability of hurricane insurance and provides hurricane insurance coverage if coverage is not reasonably available in the private market.

Fund meets criteria?

This fund does *not* meet the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established. 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. ***Therefore, the fund should be reclassified as a special fund.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from a special mortgage recording fee, assessments on insurance companies, insurance premiums, and surcharges. According to the department, HHRF was dormant for the past five years and did not issue insurance policies, so revenue was solely from investment returns. On June 24, 2025, HHRF began issuing hurricane insurance policies to Hawai'i condominium associations.

Expenditures

Expenditures include operational costs of the HHRF, investment manager fees, and audit 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.

Hydrogen Fueling System Subaccount

Section 269-33(f), HRS

Financial Data for Fiscal Years 2023 – 2024 (in thousands)

	FY2023	FY2024
Beginning Balance	$0	$750
Revenues	750	0
Interest	0	0
Expenditures	0	0
Transfers*	0	(750)
Ending Balance	**$750**	**$0**
Encumbrances	$0	$0

*Transfer to the Hydrogen Fueling System Subaccount within the Public Utilities Commission Special Fund.

Fund Summary

Account Type

Special fund

How was the fund created?

Act 241 (SLH 2022)

Why was it created?

The fund was used to support the administration of the zero-emission vehicle fueling system rebate program.

Fund meets criteria?

This fund was closed in FY2024, and the remaining balance was transferred to the Hydrogen Fueling System Subaccount within the Public Utilities Commission Special Fund.

Insurance Division Restitution

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
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 account

How was the account created?

Administratively established (2011)

Why was it created?

The account is used to collect and distribute restitution payments for parties injured by licensees regulated by the Insurance Division.

Account meets criteria?

This account does *not* meet all the criteria of a trust account because it functions more like a trust fund. 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 while trust accounts are used to hold funds for other state agencies. In this case, the account is not a holding or clearing account between state agencies and restitution payments collected from licensees are distributed to injured parties external to the state. The account is inactive but remains open because the Insurance Commissioner has the authority to assess and collect restitution payments in the future and the Insurance Commissioner has requested that the account remain open. ***The account should be reclassified as a trust fund.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from restitution payments from licensees.

Expenditures

Expenditures include restitution payments distributed to injured parties.

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.

Mortgage Foreclosure Dispute Resolution Special Fund

Section 667-86, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$120	$121	$120	$123	$120
Revenues	1	0	1	0	0
Interest	1	1	2	4	4
Expenditures	(1)	(2)	0	(7)	(10)
Transfers	0	0	0	0	0
Ending Balance	**$121**	**$120**	**$123**	**$120**	**$114**
Encumbrances	$0	$0	$0	$1	$0

Fund Summary

Account Type

Special fund

How was the fund created?

Act 48 (SLH 2011)

Why was it created?

The fund is used to operate the Mortgage Foreclosure Dispute Resolution (MFDR) Program, which allows homeowners facing non-judicial foreclosure the opportunity to negotiate an agreement with their lenders to avoid foreclosure, or to mitigate damages if foreclosure is unavoidable.

Fund meets criteria?

This fund does *not* meet the criteria of a special fund. According to the department, the MFDR Program is inactive and there are virtually no users; ***the fund should be repealed*** because 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 user fees and investment earnings. However, no user fees have been collected from FY2021 to FY2025 due to inactivity of the program and the MFDR program has virtually no users. The department also noted that mediations and notices of public sale no longer bring in revenue.

Expenditures

Expenditures include the costs to operate the program, including staffing, case management, and website maintenance.

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.

Mortgage Loan Recovery Fund

Section 454F-41, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$2,207	$2,100	$2,100	$2,100	$2,100
Revenues	0	0	0	0	15
Interest	0	0	0	0	0
Expenditures	(107)	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	**$2,100**	**$2,100**	**$2,100**	**$2,100**	**$2,115**
Encumbrances	$0	$0	$0	$0	$0

Fund Summary

Account Type

Trust fund

How was the fund created?

Act 84 (SLH 2010)

Why was it created?

The fund is used to award damages of up to $150,000, pursuant to a court order, to victims of fraud, misrepresentation, or deceit by a licensed mortgage company.

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 fees paid by mortgage loan originator licensees at initial licensure and renewals.

Expenditures

Expenditures include payments to victims of mortgage fraud, misrepresentation, or deceit, court costs and fees as set by law, and reasonable attorney fees, as determined by the court.

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

When the fund balance is $750,000 or more, the commission may determine that payments made by mortgage loan originator licensees shall cease.

Motorcycle and Motor Scooter Operators Education Fund

Section 431:10G-107, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$0	$0	$0	$0	$0
Revenues	53	53	53	52	52
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(53)	(53)	(53)	(52)	(52)
Ending Balance	**$0**	**$0**	**$0**	**$0**	**$0**
Encumbrances	$0	$0	$0	$0	$0

*Transfers to the Department of Transportation in accordance with Section 431:10G-107, HRS.

Fund Summary

Account Type

Special fund

How was the fund created?

Act 121 (SLH 2002)

Why was it created?

The fund is used to collect an annual $2 underwriters' fee for each motorcycle and motor scooter insured, which is transferred to the Department of Transportation to support drivers' education programs for operators of motorcycles and motor scooters.

Fund meets criteria?

This fund does *not* meet the criteria of a special fund but continues to serve the purpose for which it was originally established. According to the department, the programs supported by the fund can be successfully implemented using the general fund appropriation process.

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from an annual underwriters' fee paid by insurers for each motorcycle and motor scooter insured.

Expenditures

The fund has no expenditures; all revenues are disbursed to the Department of Transportation.

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.

Multi-State Mortgage Servicer Agreement Fund

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

	FY2021	FY2022
Beginning Balance	$242	$17
Revenues	15	16
Interest	0	0
Expenditures	(240)	(33)
Transfers	0	0
Ending Balance	**$17**	**$0**
Encumbrances	$0	$0

Fund Summary

Account Type

Trust account

How was the account created?

Administratively established (2012)

Why was it created?

The account was used by the Office of Consumer Protection and the Division of Financial Institutions to monitor compliance with the terms of multi-state mortgage servicer settlement agreements, supervise and regulate the mortgage loan industry, and provide consumer education.

Account meets criteria?

This account does *not* meet all the criteria of a trust account because it functioned more like a trust fund. ***Additionally, the funds in the account were depleted in FY2022, and there is no foreseeable use for the account so it should be closed.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues were from a one-time settlement among several mortgage servicer companies.

Expenditures

Expenditures included the salaries of mortgage industry examiners, and related computer equipment and training.

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.

Premium Taxes Paid Pending Appeal

Financial Data for Fiscal Years 2021 – 2025 (in thousands)	FY2021	FY2022	FY2023	FY2024	FY2025
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 account

How was the account created?

Administratively established (1983)

Why was it created?

The account is used as an escrow account to deposit all premium tax payments made under protest by insurance companies pending an appeal.

Account meets criteria?

This account does *not* meet all the criteria of a trust account because it functions more like a trust fund. 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 while trust accounts are used to hold funds for other state agencies. In this case, the account is not a holding or clearing account between state agencies and premium taxes paid under protest are distributed upon resolution of appeals. The account is inactive but remains open because the possibility of insurers paying their premium taxes while waiting for an appeal decision remains. ***The account should be reclassified as a trust fund.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from insurers paying premium taxes under protest.

Expenditures

Expenditures include distributions of the tax payments upon resolution of the appeal.

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 Years 2021 – 2025 (in thousands)*					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$5,834	$8,419	$9,115	$6,779	$12,449
Revenues	19,865	16,441	18,105	23,957	24,632
Interest	0	0	0	0	0
Expenditures	(17,151)	(15,745)	(20,371)	(19,549)	(24,828)
Transfers**	(129)	0	(70)	1,262	(700)
Ending Balance	**$8,419**	**$9,115**	**$6,779**	**$12,449**	**$11,553**
Encumbrances	$5,264	$0	$3,677	$3,665	$4,205

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

**Transfers in FY2021 and FY2023 to the PUC's operating account for payroll expenses. Transfers in FY2024 of $512,011 and $749,839 to the Electric Vehicle Charging System Subaccount and the Hydrogen Fueling System Subaccount, respectively, from subaccounts of the same name that were previously self-funded. Transfer in FY2025 of $700,000 to Consultant Services for Utility Dockets special fund.

Fund Summary

Account Type

Special fund

How was the fund created?

Act 226 (SLH 1994)

Why was it created?

The fund is used by the Public Utilities Commission (PUC) and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (DCCA) for all expenses related to the regulation of public utilities, motor carriers, water carriers, the One Call Center, and energy industry information reporting, as well as to fulfill DCCA's limited oversight and administrative support functions.

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 public utilities and motor carriers, and moneys received by the PUC that are not otherwise pledged or obligated for a particular purpose.

Expenditures

Expenditures include costs to provide oversight of regulated entities.

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.

Real Estate Appraisers

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$28	$4	$3	$2	$1
Revenues	2	37	3	37	2
Interest	0	0	0	0	0
Expenditures	(26)	(38)	(4)	(38)	(2)
Transfers	0	0	0	0	0
Ending Balance	**$4**	**$3**	**$2**	**$1**	**$1**
Encumbrances	$1	$0	$0	$1	$0

Fund Summary

Account Type

Trust account

How was the account created?

Administratively established (1991)

Why was it created?

The account is used to receive licensed real estate appraisers' annual registry fees which are later transferred to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC).

Account meets criteria?

This account does *not* meet all the criteria of a trust account because it functions more like a trust fund but continues to serve the purpose for which it was originally established. 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 while trust accounts are used to hold funds for other state agencies. In this case, funds are being held for the federal government. ***Therefore, the account should be reclassified as a trust fund.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from a $40 annual registry fee paid by each state-licensed real estate appraiser.

Expenditures

Expenditures are annual transmittals to the Appraisal Subcommittee of the FFIEC.

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.

Real Estate Education Fund

Section 467-19, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$1,242	$2,106	$1,705	$2,613	$2,231
Revenues	1,432	160	1,425	216	1,375
Interest	0	0	0	0	0
Expenditures	(553)	(561)	(510)	(598)	(717)
Transfers*	(15)	0	(7)	0	0
Ending Balance	**$2,106**	**$1,705**	**$2,613**	**$2,231**	**$2,889**
Encumbrances	$39	$81	$17	$38	$43

*Transfers in FY2021 and FY2023 of $14,900 and $7,358 to the Collective Bargaining special fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary

Account Type

Trust fund

How was the fund created?

Act 187 (SLH 1967)

Why was it created?

The fund is used to support programs that promote the advancement of education and research in the real estate industry.

Fund meets criteria?

This fund does *not* meet all the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established. 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. ***Therefore, the fund should be reclassified as a special fund***.

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from original licensing fees and biennial renewal fees from real estate licensees; registration of schools, providers, courses, and instructors; and interest earned from the Real Estate Recovery Fund.

Expenditures

Expenditures include staff salaries to administer the programs and the costs to produce educational materials and courses.

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.

Real Estate Recovery Fund

Section 467-16, HRS

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$889	$924	$964	$1,026	$1,085
Revenues	133	123	125	137	121
Interest	0	0	0	0	0
Expenditures	(95)	(83)	(62)	(78)	(137)
Transfers*	(3)	0	(1)	0	0
Ending Balance	**$924**	**$964**	**$1,026**	**$1,085**	**$1,069**
Encumbrances	$5	$0	$1	$25	$0

*Transfers in FY2021 and FY2023 of $3,332 and $991 to the Collective Bargaining special fund pursuant to Executive Memorandum Nos. 20-09 and 22-03, respectively.

Fund Summary

Account Type

Trust fund

How was the fund created?

Act 187 (SLH 1967), as amended by Act 241 (SLH 1995)

Why was it created?

The fund is used to compensate persons aggrieved by fraud, misrepresentation, or deceit by a licensed real estate broker or salesperson.

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 a one-time contribution of $50 from new real estate licensees, and renewal fees collected on a biennial basis.

Expenditures

Expenditures include claims from persons aggrieved by fraud, misrepresentation, or deceit by licensed real estate brokers or salespersons, and the costs for legal services and audits provided to the real estate commission.

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.

Restitution Fund

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$1	$11	$11	$11	$8
Revenues	10	268	0	0	0
Interest	0	0	0	0	0
Expenditures	0	(268)	0	(3)	0
Transfers	0	0	0	0	0
Ending Balance	**$11**	**$11**	**$11**	**$8**	**$8**
Encumbrances	$0	$0	$0	$0	$0

Fund Summary

Account Type

Trust fund

How was the fund created?

Administratively established (1991)

Why was it created?

The fund is used to hold moneys received by the Office of Consumer Protection as restitution for consumers who are injured by unfair or deceptive acts or practices in trade or commerce.

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 restitution payments from defendants in civil proceedings, or respondents in enforcement actions, pursuant to a court order or settlement.

Expenditures

Expenditures are disbursements of restitution payments to consumers.

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

No.

Service Contract Providers' Financial Security Deposit

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$50	$100	$75	$100	$100
Revenues	50	0	25	0	0
Interest	0	0	0	0	0
Expenditures	0	(25)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	**$100**	**$75**	**$100**	**$100**	**$100**
Encumbrances	$0	$0	$0	$0	$0

Fund Summary

Account Type

Trust account

How was the account created?

Administratively established (2003)

Why was it created?

The account is used to hold cash deposits from service contract providers for all service contracts issued and in force in the State.

Account meets criteria?

This account does *not* meet all the criteria of a trust account because it functions more like a trust fund but continues to serve the purpose for which it was originally established. 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 while trust accounts are used to hold funds for other state agencies. In this case, service contract providers external to the state pay security deposits, which are later returned. ***The account should be reclassified as a trust fund as previously recommended in Report No. 20-18.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from cash deposits paid by service contract providers.

Expenditures

Expenditures are returns of security deposits.

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.

State Certified Motor Vehicle Arbitration Fund

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$124	$126	$128	$129	$138
Revenues	4	4	3	14	14
Interest	0	0	0	0	0
Expenditures	(2)	(2)	(2)	(5)	(6)
Transfers	0	0	0	0	0
Ending Balance	**$126**	**$128**	**$129**	**$138**	**$146**
Encumbrances	$0	$0	$0	$0	$0

Fund Summary

Account Type

Trust fund

How was the fund created?

Administratively established (1994)

Why was it created?

The fund is used by the State Certified Arbitration Program to help offset the costs of providing arbitration between vehicle manufacturers and consumers when vehicles under warranty have substantial defects.

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 arbitration filing fees of $50 from the consumer and $200 from the vehicle manufacturer.

Expenditures

Expenditures include program support, administrative expenses, and arbitrator stipends of $100 per arbitration. Consumers who prevail at arbitration are entitled to a refund of their $50 filing fee.

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

No.

Telecommunications Relay Services Surcharge (Not in State Treasury)

Financial Data for Fiscal Years 2021 – 2025 (in thousands)

	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$619	$506	$649	$680	$753
Revenues	703	594	514	467	443
Interest	0	1	24	37	38
Expenditures	(816)	(452)	(507)	(431)	(307)
Transfers	0	0	0	0	0
Ending Balance	**$506**	**$649**	**$680**	**$753**	**$927**
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 provide telecommunications relay services for deaf people, and persons with hearing or speech disabilities.

Fund meets criteria?

This fund does *not* meet all the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established. 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. ***Therefore, the fund should be reclassified as a special fund.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from fees paid by telecommunication carriers.

Expenditures

Expenditures include the costs to provide intrastate telecommunication relay services, including speech-to-speech services, relay conference captioning, and contractual and operational expenses associated with the service providers.

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.

Trust Clearing Account

Financial Data for Fiscal Years 2021 – 2025 (in thousands)					
	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Balance	$2,139	$1,987	$1,835	$3,942	$1,972
Revenues	1,545	2,814	3,056	3,144	3,086
Interest	0	0	0	0	0
Expenditures	(1,697)	(2,966)	(949)	(5,114)	(1,676)
Transfers	0	0	0	0	0
Ending Balance	**$1,987**	**$1,835**	**$3,942**	**$1,972**	**$3,382**
Encumbrances	$458	$29	$15	$137	$16

Fund Summary

Account Type

Trust account

How was the account created?

Administratively established (1976)

Why was it created?

The account is used to temporarily hold fees and deposits such as deposits received from the Medical Inquiry and Conciliation Panels (MICP), deposits related to subdivision and timeshares, temporary deposits of fees collected from motor vehicle insurers, deposits related to condominium filings, and temporary deposits of Regulated Industries Complaints Office (RICO) fines pending disposition.

Account meets criteria?

This trust account does *not* meet all the criteria of a trust account because it functions more like a trust fund but continues to serve the purpose for which it was originally established. 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 while trust accounts are used to hold funds for other state agencies. In this case, deposits held are from parties external to the state and are later distributed to other parties external to the state. ***Therefore, the account should be reclassified as a trust fund.***

Performance standards

No, the fund does not have performance standards.

Revenues

Revenues are from fees and deposits such as deposits received from the MICP, deposits related to subdivision and timeshares, temporary deposits of fees collected from motor vehicle insurers, deposits related to condominium filings, and temporary deposits of RICO fines pending disposition.

Expenditures

Expenditures include payments made to consultants and panel members, and transfers of fees to other agencies.

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.

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 program measures, as required by Section 37-48, HRS, and fund information for administratively established funds and accounts under Section 37-52.5, HRS.

As shown in Exhibit 3.1, DCCA had administratively created non-general funds with balances totaling approximately $74.7 million that were not reported to the Legislature as required by Section 37-52.5, HRS, and non-general funds with balances totaling $69.4 million that were not reported to the Legislature as required by Section 37-48, 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)	FY2025 Ending Balance (rounded)	HRS 37-48 (Non-General Program Measures)	FY2025 Ending Balance (rounded)	HRS 37-49 (Non-General Cost Element)	FY2025 Ending Balance (rounded)	HRS 37-52.5 (Admin Created)	FY2025 Ending Balance (rounded)
Cable Television (Not in State Treasury)	Trust Fund			✓	$809,000			✓	$809,000
Commissioner's Education and Training Fund	Trust Fund							✓	1,714,000
Drivers' Education Fund	Special Fund							✓	3,396,000
Hawai'i Public Benefits Fee	Trust Fund			✓	67,654,000			✓	67,654,000
Restitution Fund	Trust Fund							✓	8,000
State Certified Motor Vehicle Arbitration Fund	Trust Fund							✓	146,000
Telecommunications Relay Services Surcharge (Not in State Treasury)	Trust Fund			✓	927,000			✓	927,000
Total			**$0**		**$69,390,000**		**$0**		**$74,654,000**

Source: Office of the Auditor

Office of the Auditor's Comments on the Department of Commerce and Consumer Affairs' Response

Comments on Agency Response

The Department of Commerce and Consumer Affairs (DCCA) provided written comments to the draft report, generally disagreeing with the findings and recommendations for nine funds and accounts. DCCA's written response did not change our conclusions and recommendations. DCCA's comments are attached in their entirety as Attachment 1.

DCCA does not agree that the Captive Insurance Companies LOC Escrow trust account should be reclassified as a trust fund. 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. The Department of Accounting and General Services defines a trust account as a separate holding or clearing account for state agencies. Based on the information provided by DCCA for the revenue sources and expenditures of the fund, we maintain our conclusion that it functions more like a trust fund and should be reclassified as such. In this case, the account is not a holding or clearing account between state agencies and proceeds from letters of credit would be used to satisfy liabilities of a captive insurance licensee.

DCCA does not agree that the Commissioner's Education and Training Fund (CETF) meets the criteria for a special fund, rather than a trust fund, and should be reclassified as such. We reached similar conclusions in Report Nos. 15-12 and 20-18 that the CETF is not a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, nor was it created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes. We find DCCA's position to be unpersuasive and maintain our analysis of this fund was appropriate and correct based upon the information DCCA provided to us during the review process. It does not meet the criteria for a trust fund and should be reclassified as a special fund.

DCCA does not agree that the Condominium Education Trust Fund should be reclassified as a special fund. The fund is not a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, nor was it created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes per Section 37-62, HRS. Rather, the fund meets the criteria of a special fund, using revenues such as developers' final public report fees and condominium associations' registration and biennial re-registration fees for statutorily allowed purposes, including condominium association administration education, mediation, and arbitration fees. In its response, DCCA erroneously refers to conclusions in Report Nos. 15-12 and 20-18 "that the Condominium Education Trust Fund account 'meets the definition of a trust account'" and included the definition of a trust account; however, we reported in Report Nos. 15-12 and 20-18 that the fund met the criteria of a trust *fund* and have assessed the fund based on our current interpretation of the definition of a trust *fund*. Therefore, we find DCCA's position to be unpersuasive and maintain our conclusion that it functions more like a special fund and should be reclassified as such.

DCCA agrees with the Auditor's recommendation that the Contractors Education Fund be reclassified from a trust fund to a special fund.

DCCA does not agree that the Hurricane Reserve Trust Fund should be reclassified as a special fund. In its response, DCCA notes the fund was "expressly established by statute as a trust fund;" however, the fund is not a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, nor was it created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes per Section 37-62, HRS. Rather, the fund meets the criteria of a special fund, using revenues such as a special mortgage recording fee, assessments on insurance companies, insurance premiums, and surcharges to support the administration of the Hawai'i Hurricane Relief Fund, including operational costs, investment manager fees, and audit fees. Therefore, we maintain our conclusion that it functions more like a special fund and should be reclassified as such.

DCCA does not agree that the Insurance Division Restitution trust account should be reclassified as a trust fund because we previously concluded in Report Nos. 15-12 and 20-18 that it met the criteria of a trust account. We assessed the account based on our current interpretation of the definitions of trust funds pursuant to Section 37-62, HRS, and trust accounts. As noted in Report No. 26-09, the

account is not a holding or clearing account between state agencies and restitution payments collected from licensees are distributed to injured parties external to the state. The restitution payments collected are held in trust to be distributed to the injured parties. Therefore, we find DCCA's position to be unpersuasive and maintain our conclusion that it functions more like a trust fund and should be reclassified as such.

DCCA noted it does not agree that the Motorcycle and Motor Scooter Operators Education Fund should be reclassified. However, the Auditor did *not* recommend that it be reclassified. Section 37-52.3, HRS, states that "[t]he legislature, in establishing or reviewing a special fund to determine whether it should be continued, shall ensure that the special fund: (1) [s]erves a need, as demonstrated by…(C) an explanation of why the program cannot be implemented successfully under the general fund appropriation process." Therefore, we concluded that the fund does not meet the criteria of a special fund because DCCA stated that the programs supported by the fund can be successfully implemented using the general fund appropriation process but did not include a recommendation to reclassify the fund.

DCCA does not agree that the Premium Taxes Paid Pending Appeal trust account should be reclassified as a trust fund because we previously concluded in Report Nos. 15-12 and 20-18 that it met the criteria of a trust account and DCCA misinterprets "holding or clearing account" included in the definition of trust accounts. We assessed the account based on our current interpretation of the definitions of trust funds pursuant to Section 37-62, HRS, and trust accounts. As noted in Report No. 26-09, the account is not a holding or clearing account between state agencies and premium taxes paid under protest are distributed upon resolution of appeals. The premium taxes under protest are held in trust to be distributed to the prevailing parties. Therefore, we find DCCA's position to be unpersuasive and maintain our conclusion that it functions more like a trust fund and should be reclassified as such.

DCCA does not agree that the Real Estate Education Fund should be reclassified as a special fund. The fund is not a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, nor was it created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes per Section 37-62, HRS. Rather, the fund meets the criteria of a special fund, using revenues such as licensing fees and renewal fees, registration fees, and interest from the Real Estate Recovery Fund for statutorily allowed purposes, including supporting programs that promote the advancement of education and research in the real estate industry. In its response,

DCCA erroneously refers to conclusions in Report Nos. 15-12 and 20-18 "that the Real Estate Education Fund account 'meets the definition of a trust account'" and included the definition of a trust account; however, we reported in Report Nos. 15-12 and 20-18 that the fund met the criteria of a trust *fund* and have assessed the fund based on our current interpretation of the definition of a trust *fund*. Therefore, we find DCCA's position to be unpersuasive and maintain our conclusion that it functions more like a special fund and should be reclassified as such.

DCCA does not agree that the Trust Clearing Account should be reclassified as a trust fund because the account holds funds for other state agencies. While there are fees collected and remitted to other state agencies such as the University of Hawai'i and State Archives, the account also collects deposits from parties external to the state and later distributes to other parties external to the state. In its response to our questionnaire during the review, DCCA noted that the account pays consultants and panel members and certain remaining balances are returned to the parties. Since there are certain deposits that are held in trust to be returned or distributed to parties external to the state, we maintain our conclusion that it functions more like a trust fund and should be reclassified as such.

DCCA does not agree that six funds or accounts were administratively established but did not provide the act or statute that established the funds or accounts. We maintain that the following funds or accounts were administratively established and subject to the reporting requirements of Section 37-52.5, HRS.

- Cable Television (Not in State Treasury): In its response to our questionnaire, DCCA reported that the fund was administratively established but it was not included in DCCA's report to the Legislature pursuant to Section 37-52.5, HRS. According to DCCA, since the fund is held outside of the State Treasury by a private financial institution, and the Legislature has explicitly provided that certain moneys are not state or public funds and is not subject to appropriation, it is not a fund of the State in the sense contemplated by Section 37-52.5, HRS. However, we find none of these reasons persuasive. DCCA reported this fund to the Legislature in its *Report on Non-General Fund Information* and, in response to our fund questionnaire, indicated that expenditures from this fund must be authorized through an express Legislative appropriation and an order from the DCCA Director. We maintain that this fund should have been included in DCCA's report to the Legislature of the department's administratively established accounts and funds pursuant to Section 37-52.5, HRS.

- Hawai‘i Public Benefits Fee Trust Fund: In its response to our questionnaire, DCCA reported that the fund was statutorily established pursuant to Section 269-121, HRS. However, Act 162 (SLH 2006) authorized the Public Utilities Commission to transfer moneys collected to a third-party administrator. The Hawai‘i Public Benefits Fee Trust Fund was not established explicitly by an act. Act 62 (SLH 2006) also states that "nothing in this section shall create or be construed to cause the public benefits fee to be considered state or public moneys subject to appropriation by the legislature or be required to be deposited into the state treasury." Therefore, we maintain our conclusion that the fund was established administratively and is subject to the reporting requirements pursuant to Section 37-52.5, HRS.

- Commissioner's Education and Training Fund: DCCA noted that the "underlying statute either creates the fund directly ('there is created…a special fund') or mandates that specified revenues 'shall' be deposited into a particular fund or account" and the department does not have discretion to create or use the fund, so it believes this fund is statutorily established. DCCA did not provide the specific act that established the fund. Act 348 (SLH 1987) codified as Section 431:2-214, HRS, states "The commissioner may establish a separate fund designated as the commissioner's education and training fund." This language does not explicitly establish a fund; it authorizes the Commissioner to establish a fund.

- Drivers' Education Fund: DCCA noted that the "underlying statute either creates the fund directly ('there is created…a special fund') or mandates that specified revenues 'shall' be deposited into a particular fund or account" and the department does not have discretion to create or use the fund, so it believes this fund is statutorily established. DCCA did not provide the specific act that established the fund. Act 347 (SLH 1987) codified as Section 431:10C-115, HRS, states "(b) The commissioner shall deposit the fees into a special drivers education fund account." This language directs fees to the fund but does not explicitly establish a fund.

- Restitution Fund and State Certified Motor Vehicle Arbitration Trust Fund: DCCA argues that since these funds exist to implement legislatively mandated programs and some form of dedicated fund or account is necessary to carry out the programs, the department is executing a statutory design, not independently creating new administrative funds. Both Act 53 (SLH 1991) and Act 185 (SLH 1996) notes DCCA *may* establish a fund or account but does not explicitly establish a fund or account.

- Telecommunications Relay Services Surcharge (Not in State Treasury): DCCA argues that since this fund exists to implement legislatively mandated programs and some form of dedicated fund or account is necessary to carry out the programs, the department is executing a statutory design, not independently creating new administrative funds. Act 50 (SLH 2003) authorizes the establishment of a surcharge to collect customer contributions for telecommunications relay services but does not explicitly establish a fund or account.

DCCA does not agree that DCCA did not report the Cable Television (Not in State Treasury) trust fund and Commissioner's Education and Training Fund pursuant to Section 37-48, HRS. DCCA maintains that the Cable Television (Not in State Treasury) trust fund was included in Section 37-48, HRS. However, we reviewed the Report on Non-General Fund Information for Submittal to the 2025 Legislature, the Non-General Fund Program Measures Report for Submittal to the 2025 Legislature, and the Non-General Fund Cost Element Report for Submittal to the 2025 Legislature from the Department of Commerce and Consumer Affairs dated October 1, 2024 and did not note a report for this fund under Section 37-48, HRS. DCCA also maintains that the Commissioner's Education and Training Fund was reported pursuant to Section 37-48, HRS, in an Excel version of Form 37-48, HRS, but not the PDF version. DCCA did not provide the Excel version referenced in their response nor could we locate an Excel version submitted to the Legislature.

For the reasons expressed above, DCCA's position with respect to the funds and accounts listed above is not compelling. DCCA misunderstands trust funds and trust accounts, specifically the different purposes and uses of each. DCCA's disagreement with whether certain funds and accounts are administratively created is also puzzling. DCCA does not provide any statutory citation or other support for its disagreement, which suggests that DCCA – not the Legislature – established those funds and accounts; in other words, they are administratively created.

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

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June 19, 2026

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

Dear Mr. Kondo:

Thank you for the opportunity to comment on the Draft Report entitled, *DRAFT 2026 Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Commerce and Consumer Affairs*. We have reviewed the report and respectfully provide the following comments:

Captive Insurance Companies LOC Escrow

Auditor's comment: This account does not meet the criteria of a trust account because it functions more like a trust fund but continues to serve the purpose for which it was originally established.

DCCA Response: The Department of Commerce and Consumer Affairs ("DCCA") disagrees with the Auditor's recommendation that the Captive Insurance Companies LOC Escrow Account be reclassified.

Since the issuance of Auditor Report No. 15-12 and No. 20-18, the purpose of the account, the source of revenue deposited into the account, and expenditures made from the account have remained unchanged. Likewise, both reports applied the same definition of a trust account, stating that "[t]he Department of Accounting and General Services 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."

Applying that definition, both Auditor Report No. 15-12 and No. 20-18 concluded that the Captive Insurance Companies LOC Escrow account "meets the criteria of a trust account continues to serve the purpose for which it was originally established." Auditor Report No. 26-09 does not identify any material change in the account's structure, administration, revenues, expenditures, or governing authority that would warrant a departure from the conclusions reached in Auditor Report No. 15-12 and No. 20-18.

Because neither the account's purpose nor its operation has materially changed since those prior reviews, DCCA does not believe there is a factual or legal basis for reaching a different conclusion in the current report. Absent the identification of a material change in the account or a change in the criteria used to evaluate trust accounts, the recommendation to reclassify the account is unsupported and inconsistent with the Auditor's prior findings.

Commissioner's Education and Training Fund ("CETF")

Auditor's comment: This fund does not meet all the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established.

DCCA response: The DCCA disagrees with the Auditor's comment that the CETF should be reclassified. The CETF's purpose is to provide for specialized education and training of insurance division personnel as well as consumer education.

The CETF is codified under Hawaii Revised Statutes ("HRS") § 431:2-214 as follows:

> §**431:2-214 The commissioner's education and training fund.** (a) The commissioner may establish a separate fund designated as the commissioner's education and training fund.
>
> (b) This fund may be used to compensate or reimburse staff and personnel of the insurance division for education and training. Upon approval by the commissioner, staff and personnel may be compensated or reimbursed for:
>
> (1) Actual travel expenses in amounts customary for these expenses;
>
> (2) A reasonable living expense allowance at a rate customary for these expenses;
>
> (3) Per diem compensation at a customary rate; and
>
> (4) Any fees or charges necessary to attend educational and training conferences, workshops, seminars, and any other event of this nature.
>
> (c) Any person receiving reimbursement or compensation from the commissioner's education and training fund shall submit to the commissioner, for approval, a detailed account of all expenses and compensation necessarily incurred on account of any education and training for the insurance division.
>
> (d) The commissioner's education and training fund may be used to pay the cost of consumer education and information, including publication of information, brochures, and consumer guides and costs related to conferences, workshops, seminars, and any other event of this nature which the commissioner sponsors or in which the commissioner or insurance division staff participates.

The legislative history for HRS § 431:2-214 clearly identifies that the CETF would be "expended for staff education and training." (See Senate Journal 1987, SCRep. 19, SCRep. 224, SCRep. 718). The CETF is administered by the Insurance Commissioner for the benefit of Insurance Division staff receiving specialized training and Hawaii insurance consumers receiving educational services.

Therefore, the CETF should remain as a trust fund as the insurance division staff and Hawaii's insurance consumers, as CETF beneficiaries, have an interest in education and training in order to perform their duties competently and to make informed choices, respectively.

Condominium Education Trust Fund

Auditor's comment: This fund does not meet all the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established.

DCCA Response: The DCCA disagrees with the Auditor's comment that this fund should be reclassified. Since the issuance of Auditor Report No. 15-12 and No. 20-18, the purpose of the account, the source of revenue deposited into the account, and expenditures made from the account have remained unchanged. Likewise, both reports applied the same definition of a trust account, stating that "[t]he Department of Accounting and General Services 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."

Applying that definition, both Auditor Report No. 15-12 and No. 20-18 concluded that the Condominium Education Trust Fund account "meets the criteria of a trust account continues to serve the purpose for which it was originally established." Auditor Report No. 26-09 does not identify any material change in the account's structure, administration, revenues, expenditures, or governing authority that would warrant a departure from the conclusions reached in Auditor Report No. 15-12 and No. 20-18.

Neither the account's purpose nor its operation has materially changed since those prior reviews, DCCA does not believe there is a factual or legal basis for reaching a different conclusion in the current report. Absent the identification of a material change in the account or a change in the criteria used to evaluate trust accounts, the recommendation to reclassify the account is unsupported and inconsistent with the Auditor's prior findings.

Contractors Education Fund

Auditor's comment: This fund does not meet the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested interest or equitable ownership, but continues to serve the purpose for which it was originally established.

DCCA response: DCCA agrees with the Auditor's recommendation that the Contractors Education Fund be reclassified.

Hurricane Reserve Trust Fund ("HRTF")

Auditor's comment: This fund does *not* meet the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established .

DCCA Response: The DCCA disagrees with the Auditor's recommendation that the HRTF be reclassified.

The HRTF is expressly established by statute as a trust fund. HRS § 431P:16(a) provides that the Hawaii Hurricane Relief Fund ("HHRF") "shall establish outside the state treasury a hurricane reserve trust fund and any accounts thereunder and any other trust fund or account necessary to carry out the purpose of this chapter." The statute further provides that "[m]oneys deposited into the [HRTF] shall be held by the fund, as trustee, in a depository as defined in section 38-1 or according to a similar arrangement at the discretion of the [HHRF] board, including but not limited to, trust or custodial accounts created for the benefit of the fund's secured parties under contractual claims financing arrangements."

The Legislature's use of the terms "trust fund," "trustee," and "trust or custodial accounts" demonstrates its intent that the HRTF be established and administered as a trust fund. Unlike a special fund, the statute expressly requires that monies deposited into the HRTF be held by the HHRF "as trustee" and specifically contemplates trust or custodial accounts established for the benefit of identified parties. Accordingly, the Auditor's recommendation is inconsistent with the Legislature's express characterization of the HRTF and the statutory framework governing its administration. Indeed, HRS § 431P-16(a) expressly contemplates trust or custodial accounts established 'for the benefit of the fund's secured parties', thereby recognizing identifiable beneficiaries within the statutory trust structure.

Statutorily established in 1993, the HRTF serves as the repository for monies held and administered in connection with the operation of the HHRF. The HRTF continues to serve the purpose for which it was originally established.

Further, Auditor Report No. 20-18 concluded that the HRTF "meets the criteria of a trust fund and continues to serve the purpose for which it was originally established." Auditor Report No. 26-09 does not identify any material change in the HRTF's statutory purpose, governance structure, administration, or governing authority that would warrant a departure from that conclusion.

Because neither the HRTF's purpose nor its operation has materially changed since those prior reviews, and the governing statute continues to require the existence of the HRTF as a trust fund, there is no factual or legal basis for reaching a different conclusion in the current report. Absent the identification of a material change in the HRTF or a change in the criteria used to evaluate trust funds, the recommendation to reclassify the account is unsupported by any identified change in the HRTF and is inconsistent with the Auditor's prior determination that the HRTF meets the criteria of a trust fund.

Insurance Division Restitution ("IDR")

Auditor's comment: This account does *not* meet all the criteria of a trust account because it functions more like a trust fund.

DCCA Response: DCCA disagrees with the Auditor's recommendation that the IDR be reclassified.

Since the issuance of Auditor Report No. 15-12 and No. 20-18, the purpose of the account, the source of revenue deposited into the account, and expenditures made from the account have remained unchanged. Likewise, both reports applied the same definition of a trust account, stating that "[t]he Department of Accounting and General Services 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."

Applying that definition, both Auditor Report No. 15-12 and No. 20-18 concluded that the IDR "meets the criteria of a trust account and continues to serve the purpose for which it was originally established." Auditor Report No. 26-09 does not identify any material change in the account's structure, administration, revenues, expenditures, or governing authority that would warrant a departure from the conclusions reached in Auditor Report No. 15-12 and No. 20-18.

Because neither the account's purpose nor its operation has materially changed since those prior reviews, DCCA does not believe there is a factual or legal basis for reaching a different conclusion in the current report. Absent the identification of a material change in the account or a change in the criteria used to evaluate trust accounts, the recommendation to reclassify the account is unsupported and inconsistent with the Auditor's prior findings.

Motorcycle and Motor Scooter Operators Education Fund ("MMSOEF")

Auditor's comment: This fund does not meet the criteria of a special fund but continues to serve the purpose for which it was originally established.

DCCA Response: DCCA disagrees with the Auditor's recommendation that the MMSOEF be reclassified.

The MMSOEF is a fund dedicated by law to a specified purpose. HRS § 431:10G-107 expressly creates "a special fund to be known as the motorcycle and motor scooter operators education fund," and limits expenditures from the special fund to "the administration of a drivers education program for operators of motorcycles or motor scooters."

This structure falls squarely within the definition of a special fund set forth in HRS § 37-62, which defines a special fund as funds "dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds." The MMSOEF is funded through statutorily authorized assessments and its expenditures are restricted by law to a specific programmatic purpose. Accordingly, the fund satisfies the statutory definition of a special fund.

Further, Auditor Report No. 15-12 and No. 20-18 both conclude, "[t]his fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established." Report No. 26-09 does not identify any material change in the account's structure, administration, revenues, expenditures, or governing authority that would warrant a departure from the conclusions in Auditor Report No. 15-12 and No. 20-18.

To the extent Report 26-09 suggests that because the activities supported by the MMSOEF could instead be funded through the general fund appropriation process, that consideration is separate from whether the fund satisfies the statutory criteria of a special fund. The legal question is whether the fund is dedicated by law to a specified purpose. HRS § 431:10G-107 expressly does so. Whether the Legislature could choose to fund the program through general appropriations instead does not alter the fund's current statutory structure or its qualification as a special fund under HRS § 37-62.

Because the MMSOEF continues to operate as established by statute, and because no material changes have occurred since the Auditor's prior reviews, DCCA finds no factual or legal basis for departing from the Auditor's conclusions reached in Auditor Report No. 15-12 and No. 20-18. Accordingly, DCCA disagrees with the Auditor's conclusion in Auditor Report 26-09.

Premium Taxes Paid Pending Appeal

Auditor's comment: This account does not meet all the criteria of a trust account because it functions more like a trust fund.

DCCA Response: The DCCA disagrees with the Auditor's recommendation that the Premium Taxes Paid Pending Appeal trust account be reclassified.

The Premium Taxes Paid Pending Appeal trust account serves as a holding account for premium tax payments remitted during the pendency of an appeal. The account allows disputed premium tax payments to be segregated and accounted for until the underlying appeal is resolved. As such, the account continues to function as a holding or clearing account rather than as a programmatic fund.

Since the issuance of Auditor Report No. 15-12 and No. 20-18, the purpose of the account, the source of revenue deposited into the account, and expenditures made from the account have remained unchanged. Likewise, both reports applied the same definition of a trust account, stating that "[t]he Department of Accounting and General Services 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."

Applying that definition, both Auditor Report No. 15-12 and No. 20-18 concluded that the Premium Taxes Paid Pending Appeal trust account "meets the criteria of a trust account and continues to serve the purpose for which it was originally established." Report No. 26-09 does not identify any material change in the account's structure, administration, revenues, expenditures, or governing authority that would warrant a departure from the conclusions.

The Premium Taxes Paid Pending Appeal trust account's purpose remains unchanged. The account continues to operate as a holding account for premium taxes remitted during the pendency of an appeal and allows those monies to be segregated and accounted for until the appeal is resolved. This activity is consistent with DAGS's definition of a trust account as a separate holding or clearing account.

Because neither the account's purpose nor its operation has materially changed since those prior reviews, DCCA does not believe there is a factual or legal basis for reaching a different conclusion in the current report. Absent the identification of a material change in the account or a change in the criteria used to evaluate trust accounts, the recommendation to reclassify the account is unsupported and inconsistent with the Auditor's prior findings.

Real Estate Education Fund

Auditor's comment: This fund does *not* meet all the criteria of a trust fund because it functions more like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership, but continues to serve the purpose for which it was originally established.

DCCA Response: The DCCA disagrees with the Auditor's comment that this fund should be reclassified. Since the issuance of Auditor Report No. 15-12 and No. 20-18, the purpose of the account, the source of revenue deposited into the account, and expenditures made from the account have remained unchanged. Likewise, both reports applied the same definition of a trust account, stating that "[t]he Department of Accounting and General Services 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."

Applying that definition, both Auditor Report No. 15-12 and No. 20-18 concluded that the Real Estate Education Fund account "meets the criteria of a trust account continues to serve the purpose for which it was originally established." Auditor Report No. 26-09 does not identify any material change in the account's structure, administration, revenues, expenditures, or governing authority that would warrant a departure from the conclusions reached in Auditor Report No. 15-12 and No. 20-18.

Neither the account's purpose nor its operation has materially changed since those prior reviews, DCCA does not believe there is a factual or legal basis for reaching a different conclusion in the current report. Absent the identification of a material change in the account or a change in the criteria used to evaluate trust accounts, the recommendation to reclassify the account is unsupported and inconsistent with the Auditor's prior findings.

Trust Clearing Account

Auditor's comment: This account does not meet the criteria of a trust account because it functions more like a trust fund but continues to serve the purpose for which it was originally established.

DCCA Response: The DCCA does not agree with the Auditor's comment that this fund should be reclassified. The Trust Clearing Account complies with the purpose for which it was originally established and should not be reclassified to a fund.

Per the Auditor's Questionnaire, item #4.7 – 4.9, the Trust Clearing Account ***does hold funds for other state agencies as follows:***

(4.7) Center for Nursing fee
Act 198, SLH 2003, upon the issuance of a new license and at each license renewal period, each nurse shall pay a fee of $40. Funds are transferred to the **University of Hawaii Center for Nursing**.

(4.8) Physician workforce assessment fee
§453-8.8, HRS, a fee of $60 is assessed to each physician or surgeon and each osteopathic physician or surgeon. These funds are transferred to the **University of Hawaii John A Burns School of Medicine**.

(4.9) State Archives Preservation Fee
Act 88, SLH 2013, a $1 fee is assessed for certain permanent document. These funds are transferred to the **State Archives (DAGS).**

Observations on DCCA Reporting and Accounting for Funds

Auditor comment: DCCA did not report on the Cable Television Trust Account, Commissioner's Education and Training Fund, Driver's Education Fund, Hawaii Public Benefits Fee, Restitution Fund, State Certified Motor Vehicle Arbitration Fund, and Telecommunications Relay Services Surcharge as administratively created funds.

DCCA Response: DCCA does not concur with this finding.

Cable Television Trust Fund
Auditor comment: The DCCA did not report the fund under Section 37-48, HRS.

DCCA Response: The DCCA does not concur with this finding. The Cable Television Trust Fund was listed on Form 37-48.

Commissioner's Education and Training Trust Fund
Auditor comment: The DCCA did not report the fund under Section 37-48, HRS.

DCCA Response: The DCCA does not concur with this finding. The fund is listed in the Excel version of Form 37-48, but the PDF version did not capture the entire listing for the Division.

Auditor comment: The DCCA did not report the fund under Section 37-52.5, HRS.

DCCA Response: We appreciate the Auditor's efforts to review the Department of Commerce and Consumer Affairs' non-general funds and accounts and we remain committed to accurate, complete, and transparent reporting to the Legislature. We respectfully disagree, however, that the accounts and funds identified in the draft report are "administratively established" within the meaning of section 37-52.5, HRS, and therefore subject to that section's additional reporting requirements.

Section 37-52.5, HRS, is directed at funds and accounts that departments themselves create, in their discretion, outside of explicit statutory direction. In our view, a fund or account is "administratively established" only where the Legislature has not itself created the fund or required that a specific fund or account mechanism be used, and the department independently decides to establish a separate fund or account. By contrast, where the Legislature expressly creates a fund in statute, mandates that certain revenues "shall" be deposited into a particular

fund or account or requires a program whose effective operation necessarily entails a dedicated holding and disbursing account, the resulting fund or account is statutorily driven rather than administratively established. In addition, several of the funds identified are held outside the State Treasury and, in some instances, are expressly declared by statute not to be state or public moneys, placing them outside the core concerns of section 37-52.5, HRS.

Applying this framework, DCCA does not agree that the following funds and accounts fall within section 37-52.5, HRS:

- Cable Television Trust Fund; Hawaii Public Benefits Fee Trust Fund: These arrangements are held outside the State Treasury by private financial institutions, and the Legislature has explicitly provided that certain moneys (e.g., public benefits fee moneys) are not state or public funds and are not subject to appropriation. In our view, these are not "funds or accounts" of the State in the sense contemplated by section 37-52.5, HRS, even though we already include their activity in our non-general fund reporting to ensure transparency.
- Commissioner's Education and Training Fund; Drivers' Education Special Fund: In each case, the underlying statute either creates the fund directly ("there is created … a special fund") or mandates that specified revenues "shall" be deposited into a particular fund or account. The department has no discretion whether to create or use such a fund; it is simply implementing the Legislature's chosen mechanism for earmarking and using those revenues. These are therefore statutorily established funds, not administratively created funds subject to section 37-52.5, HRS.
- Restitution Trust Fund; State Certified Motor Vehicle Arbitration Trust Fund; Telecommunications Relay Services Surcharge Trust Account: These funds and accounts exist to implement legislatively mandated programs, consumer restitution, motor vehicle arbitration, and telecommunications relay services. While the statutes sometimes use the word "may" in describing the ability to establish an account or trust fund, that language appears in the context of programs the Legislature has already required and for which it has authorized collections and disbursements. In practice, some form of dedicated fund or account is necessary to carry out these statutory programs and to hold monies for the benefit of specific participants. The department is thus executing a statutory design, not independently creating new administrative funds.

These funds and accounts are already disclosed through the non-general fund reports prepared under sections 37-47, 37-48, and 37-49, HRS, so the Legislature has full visibility into their balances, revenues, and expenditures. Our disagreement is therefore not about whether these moneys should be transparent, but about the proper statutory category and reporting mechanism. We remain ready to work with the Auditor and the Legislature to clarify fund types where needed in statute and, if the Legislature so chooses, to refine the language of section 37-52.5, HRS, so that it more clearly distinguishes between (1) discretionary, administratively created state funds and accounts and (2) funds and accounts that are expressly created or effectively mandated by statute, including off-treasury and fiduciary arrangements.

Again, we appreciate the opportunity to comment on the draft report. Should you or your staff have additional questions regarding the subject of this draft report, please feel free to contact Michael Wun, my Business Management Officer, at 586-2844.

Sincerely,

NADINE Y. ANDO
Director