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December 26, 2019

The Honorable Ronald D. Kouchi
President of the Senate
and Members of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki
Speaker and Members of the House of
Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi and Speaker Saiki:

For your information and consideration, I am transmitting a copy of the Department of the Attorney General's Report on Administratively Established Funds and Accounts, as required by section 37-52.5, Hawaii Revised Statutes (HRS). In accordance with Section 93-16, HRS, I am also informing you that the report may be viewed electronically at <http://ag.hawaii.gov/publications/reports/reports-to-the-legislature/>.

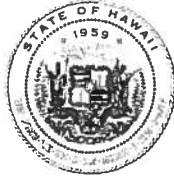
If you have any questions or concerns, please feel free to call me at 586-1282.

Sincerely,

Clare E. Connors
Attorney General

Enclosure

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REPORT ON ADMINISTRATIVELY ESTABLISHED FUNDS AND ACCOUNTS

Pursuant to Section 37-52.5, Hawaii Revised Statutes

For Fiscal Year 2018-2019

Submitted to the Thirtieth State Legislature
Regular Session of 2020

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I. INTRODUCTION

Section 37-52.5 Hawaii Revised Statutes, requires that, except for the Judiciary, any department that administratively establishes a new fund or account must submit a report to the Legislature and, at least twenty days prior to the convening of each regular session, must submit a report that shall include (1) a list of all administratively established accounts or funds and (2) all revenues, expenditures, encumbrances, and ending balances of each account or fund. The Department of the Attorney General administers the following administratively established fund and account: the National Mortgage Settlement Trust Fund and the Seized Funds – Final Disposition Pending Account.

II. NATIONAL MORTGAGE SETTLEMENT TRUST FUND

A. Overview of the National Mortgage Settlement Trust Fund

The National Mortgage Settlement Trust Fund, appropriation number T-916-N, was established pursuant to a consent judgment that was filed in the United States District Court for the District of Columbia on April 4, 2012. Hawaii along with 48 other states and several departments and agencies of the federal government reached a national mortgage settlement with the nations five largest banks and mortgage servicers on April 4, 2012. Pursuant to the consent judgments approving the settlement Hawaii received \$7,911,883 in direct settlement funds. The court's orders approving the settlement requires that the Hawaii funds be expended as follows:

The monies are to be held in trust for the benefit of homeowners and others in the State of Hawaii who are, have been, or may be affected by mortgage loan proceedings. This includes, but is not limited to, those who have been subject to foreclosure, are in foreclosure, are at risk of foreclosure, have delinquent mortgage loan payments, have negative equity in their homes, have lost their homes due to foreclosure, have been unable to refinance their mortgage loans, or are leasing a dwelling affected by foreclosure. The monies shall be used for housing and financial counseling, public education, mediation, dispute resolution, and enforcement of laws and agreements protecting the rights of homeowners and lessees. The monies shall be used only for these purposes. The monies shall be deposited into an administrative trust account to be administered by the Attorney General of the State of Hawaii, who as custodian shall have sole discretion to make determinations as to the amounts and the purposes for which the monies are to be expended.

Then Attorney General David M. Louie convened a task force on March 22, 2012, to provide recommendations on how best to expend the funds that Hawaii received pursuant to the settlement.

The members of the task force were:

Senator Rosalyn H. Baker
Senator David Y. Ige
Representative Robert N. Herkes
Representative Marcus R. Oshiro
Department of Commerce and Consumer Affairs Director Kealii Lopez
Department of Commerce and Consumer Affairs Acting Deputy Director Jo Ann Uchida
Judiciary Staff Attorney Julia P. Verbrugge
Judiciary Center for Alternative Dispute Resolution Director Elizabeth Kent
Attorney General David M. Louie

B. Details of Revenues and Expenditures

In accordance with recommendations from the task force and the federal court consent order, the Attorney General established the Foreclosure Assistance Program and the trust fund to expend the settlement funds.

During Fiscal Year (FY) 2018-2019, the following significant transactions occurred in the trust fund:

REVENUES:

\$651.17 Investment Pool interest

EXPENDITURES:

\$0.

Financial Data for Fiscal Years 2012-2013, 2013-2014, 2014-2015 2015-2016, 2017-2018, and 2018-2019:

Below are the details of the revenue and expenditure for this account for FY 2017-2018

| | FY 2012-2013 | FY 2013-2014 | FY 2014-2015 | FY 2015-2016 |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning Cash Balance | \$0 | \$1,529,243.00 | \$1,324,990.75 | \$1,066,320.25 |
| Beginning Encumbrances | | \$0 | \$0 | \$0 |
| Revenues | \$7,911,883.00 | | \$3,840.73 | \$4,364.99 |
| Expenditures | \$6,382,640.00 | \$204,252.25 | \$262,511.23 | \$958,785.00 |
| Transfers | | | | |
| Ending Cash Balance | \$1,529,243.00 | \$1,324,990.75 | \$1,066,320.25 | \$111,900.24 |

| | FY 2016-2017 | FY 2017-2018 |
|------------------------|---------------------|---------------------|
| Beginning Cash Balance | \$111,900.24 | \$99,411.76 |
| Beginning Encumbrances | \$0 | \$0 |
| Revenues | \$824.35 | \$599.48 |
| Expenditures | \$13,312.83 | \$34,647.00 |
| Transfers | \$0 | \$0 |
| Ending Cash Balance | \$99,411.76 | \$65,364.24 |

| | FY 2018-2019 |
|------------------------|---------------------|
| Beginning Cash Balance | \$65,363.89 |
| Beginning Encumbrances | \$0 |
| Revenues | \$651.17 |
| Expenditures | \$0.00 |
| Transfers | \$0 |
| Ending Cash Balance | \$66,015.06 |

Revenue by Source Code:

| Source Code | Description | Revenue |
|--------------------|------------------------------|-----------------|
| 0288 | INVESTMENT POOL ACCOUNT | \$651.17 |
| 787 | MISCELLANEOUS CLAIMS | 0.00 |
| 1492 | SALE OF SERVICES – UTILITIES | 0.00 |
| | Total Revenue | \$651.17 |

Expenditure by Object Code:

| Object Code | Description | Expenditure |
|--------------------------|----------------------|---------------|
| 6800 | JUDGMENTS and CLAIMS | \$0.00 |
| Total Expenditure | | \$0.00 |

III. SEIZED FUNDS – FINAL DISPOSITION PENDING ACCOUNT

**A. Overview of the Seized Funds – Final Disposition Pending Account:
FY 2018-2019**

In 1988, the Legislature enacted chapter 712A, Hawaii Revised Statutes (HRS), the Hawaii Omnibus Criminal Forfeiture Act. Chapter 712A provides for the forfeiture of property used or acquired in connection with the commission of certain criminal offenses and for the distribution of the property, or its proceeds, to law enforcement agencies for law enforcement purposes. A detailed history and explanation to the program is provided in the Annual Report of Proceedings under the Hawaii Omnibus Criminal Forfeiture Act submitted contemporaneously with this report.

The Seized Funds – Final Disposition Pending Account, account number T-906, was administratively established in 1988 as a “holding” account. Seized currency can be deposited into the T-906 account pending the outcome of the forfeiture proceedings. The currency seized for administrative or judicial forfeiture can be ordered returned to a claimant, forfeited to the State, or divided between the claimant and the State pursuant to a judicial or administrative settlement agreement. This fund receives no actual revenue since it operates as a trust account. Disbursements from the fund include amounts returned to a claimant if the seized funds are not forfeited or, if the seized funds are ordered forfeited, the funds are transferred to the Criminal Forfeiture Fund which is discussed more fully in the Annual Report of Proceedings under the Hawaii Omnibus Criminal Forfeiture Act submitted contemporaneously with this report.

The amounts may not reflect the total seized currency for a Fiscal Year as stated on the Annual Legislative Report. This is primarily due to cases where petitions are filed and deposits into the T-906 are not completed within the same fiscal year. New petition deposit transaction times can often span from three to six months, or more if refilling of a petition is required. Other reasons for delay may include but are not limited to evidentiary requirements in a criminal case, currency handling procedures within the seizing agencies, and other processing time required by seizing agencies and the Attorney General Fiscal Offices to finalize a currency transaction into the T-906 account.

B. Transfers

During Fiscal Year (FY) 2018-2019, the following significant transactions occurred in the trust fund:

TRANSFERS INTO ACCOUNT:

| | |
|---------------------------------|----------------------|
| Hawaii County Police Department | \$ 254,470.20 |
| Honolulu Police Department | \$ 228,138.36 |
| Kauai County Police Department | \$ 30,204.26 |
| Maui County Police Department | <u>\$ 161,516.00</u> |
| Total Transfers In | <u>\$ 674,328.82</u> |

TRANSFERS OUT OF ACCOUNT:

| | |
|---|----------------------|
| Transfers to the Criminal Forfeiture Fund | \$ 553,060.52 |
| Returned as Ordered to the Honolulu And Maui County Police Departments (for return to interested parties) | <u>\$ 21,033.22</u> |
| Total Transfers Out | <u>\$ 574,093.74</u> |