

Irrigation System Revolving Fund

Background

Act 306 was passed in the 1987 legislative session with a clear statement of intent that agriculture is important to the people of Hawaii and that agricultural production be developed as fully as possible. In the Act's Finding and Declaration of Necessity, it is stated that:

“It is further found that water presently tapped for irrigation is inadequate for the fullest development of the economy of the State. It is therefore hereby declared that additional water and water facilities are necessary for the development of agriculture in the State.”

(Chapter 167-1, HRS)

The Act provides the basis for the present day Irrigation System program managed by the Department of Agriculture's (DOA) Agricultural Resource Management (ARM) division.

The Act established an Irrigation System Revolving Fund and directed that funds be used for a prescribed purpose.

“The board of agriculture shall pay all receipts and revenues received by it from the operation of an irrigation and water utilization system into the irrigation system revolving fund established under section 167-22. The fund shall be used and expended for the following purposes:

- (1) Payment of the operating and maintenance costs of the system;*
- (2) Repairs, replacements, additions, and extensions;*
- (3) Reimbursement to the State the amount of any principal or interest due upon any bond issue under this chapter.” (Chapter 168-3, HRS)*

The fund is used for the development of water and water facilities Statewide as required by the Act and became effective in 1989.

Accounting

Operating Revenue

Revenues paid into the Revolving Fund are largely comprised of acreage assessments and water tolls from six separate systems (Kahuku, Kekaha, Lower Hamakua, Molokai, Waimea, and Waimanalo).

Other Revenue

Delinquent interest charges which accrue at an interest rate of 1% per month are also deposited into the Revolving Fund. The Molokai Irrigation System (MIS) is the only water system that receives revenue from a source other than from acreage assessments and water tolls, i.e. rental income from Kaluakoi Water LLC for access to the MIS pipeline transmission system to transmit water from their Well 17 to the end of the MIS system and onward to the west end of Molokai.

Operating Expenses

Expenses paid out of the Revolving Fund are primarily irrigation system worker salaries and associated fringe benefits, electricity costs, materials and supplies, travel, oil and gas, and equipment costs.

Administrative Expenses

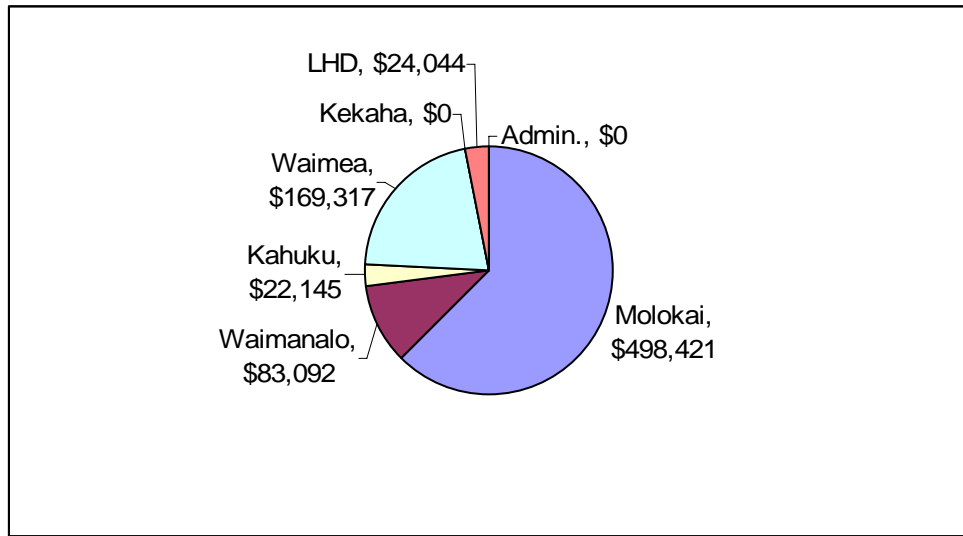
Administrative expenses paid out of the Revolving Fund are for a pro-rated share of salaries and fringe benefits of administrative, engineering, and clerical personnel within the ARM division who devote a percentage of their time on irrigation system-related work. Administrative expenses also include electricity costs, legal services, materials and supplies, travel, oil and gas, and other miscellaneous costs related to supporting the irrigation system. Administrative expenses are not allocated to each of the irrigation systems because the expenses are charged to the fund as a whole and not to individual systems.

Legislative Appropriation

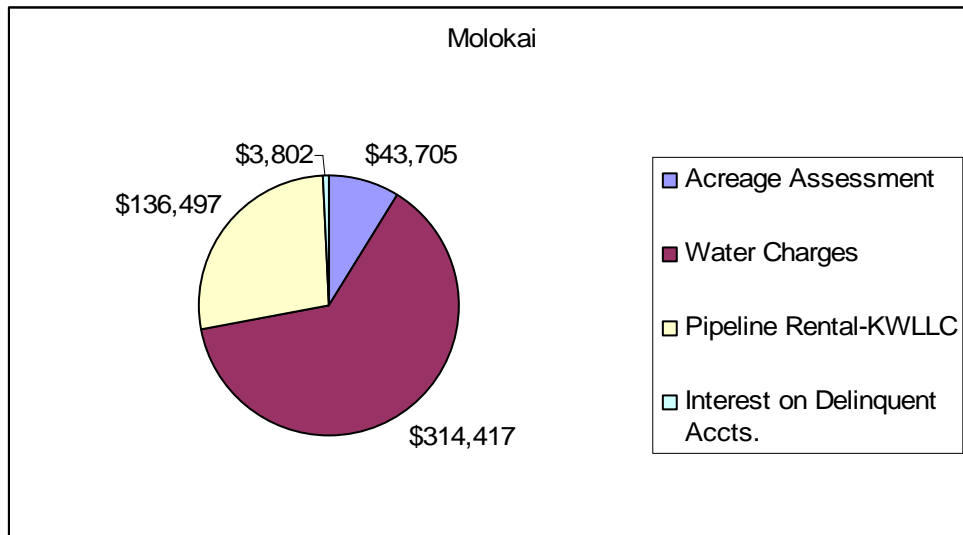
Generally, irrigation system expenditures exceed revenues by a significant amount each year. As a result, beginning in fiscal year 06, and extending to fiscal year 08, the legislature has made a general fund appropriation in the amount of \$425,000 for each fiscal year for deposit into the Revolving Fund in order to keep it solvent.

Previously, in fiscal year 2000-2001, the legislature authorized \$200,000 for deposit into the Revolving Fund and subsequently authorized \$140,400 for deposit in each of the 2001-2002 and 2002-2003 fiscal years.

FY 07 Irrigation Fund Operating Revenue

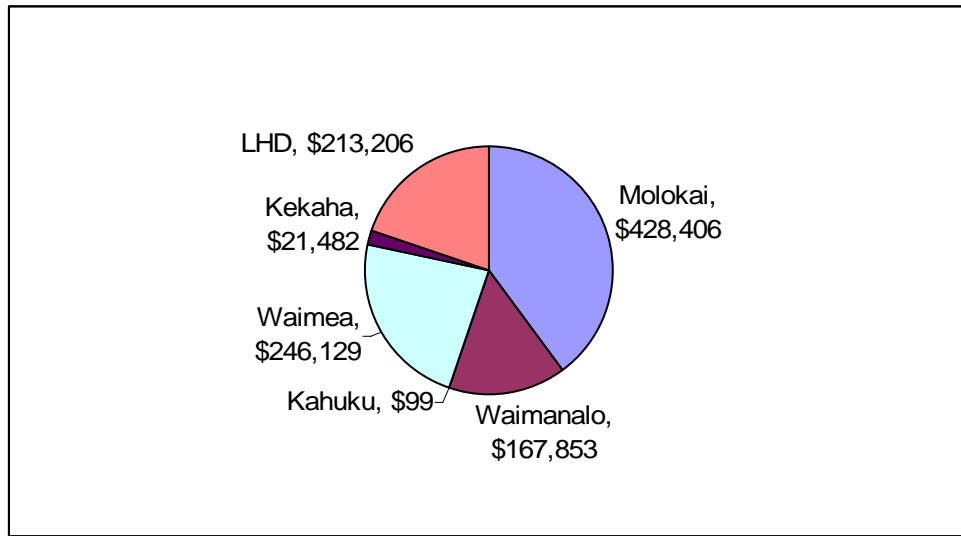


FY 07 MIS Revenue by Source

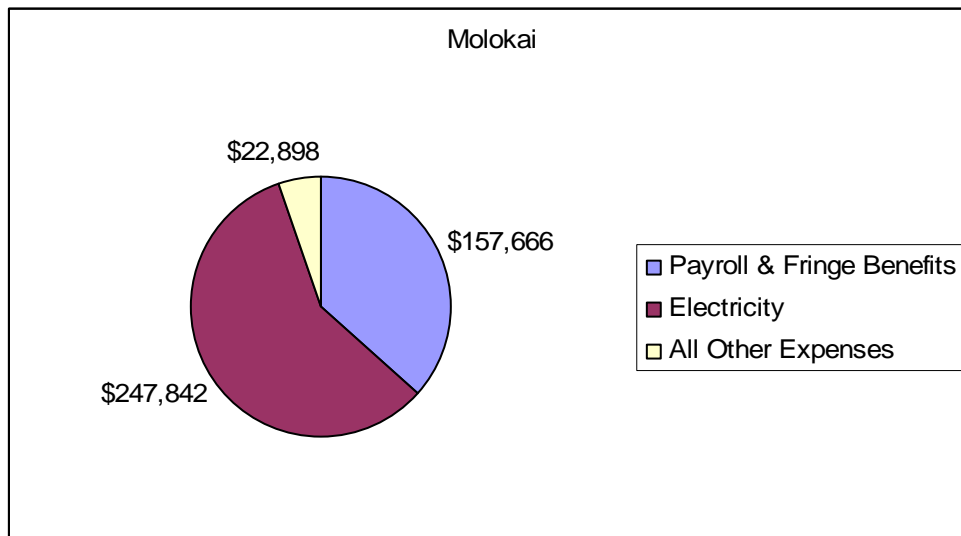


The MIS contributed 62.5% of total operating revenue to the Revolving Fund in FY 07.

FY 07 Irrigation Fund Operating Expense



FY 07 MIS Operating Expense by Category

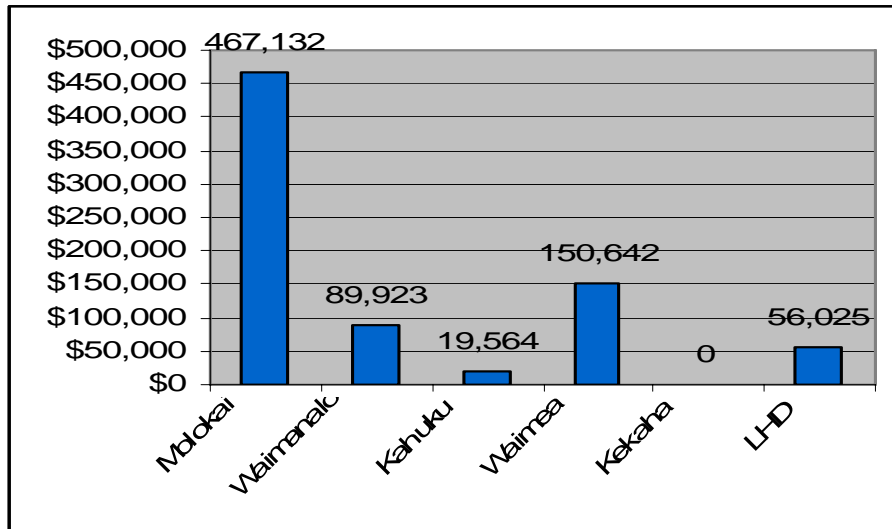


The MIS incurred 39.8% of total operating expenses charged to the Revolving Fund in FY 07.

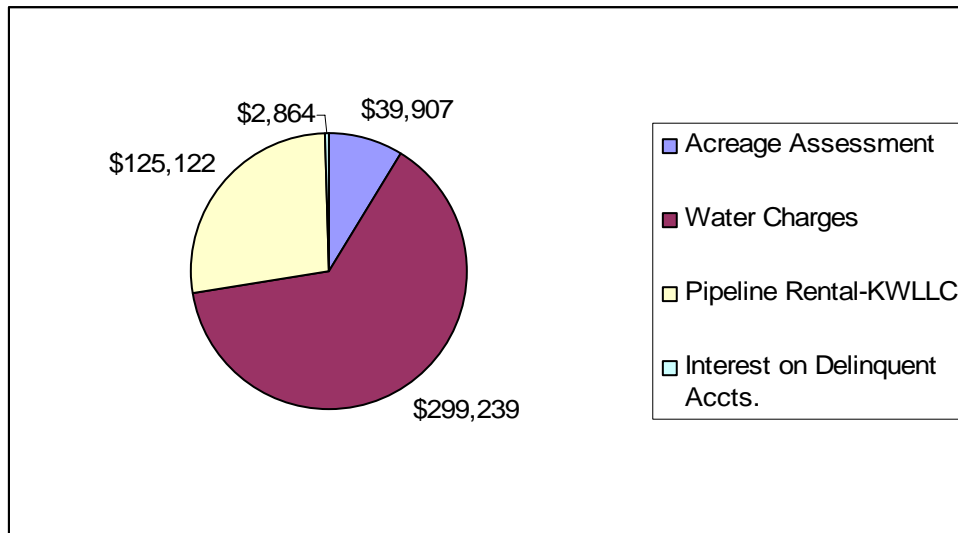
FY 07 Irrigation Fund Administrative Expense

In fiscal year 07, administrative expense totaled \$104,105, comprised of \$61,907 in payroll and fringe benefits, \$2,211 for electricity and \$39,987 for other expenses.

FY 06 Irrigation Fund Operating Revenue

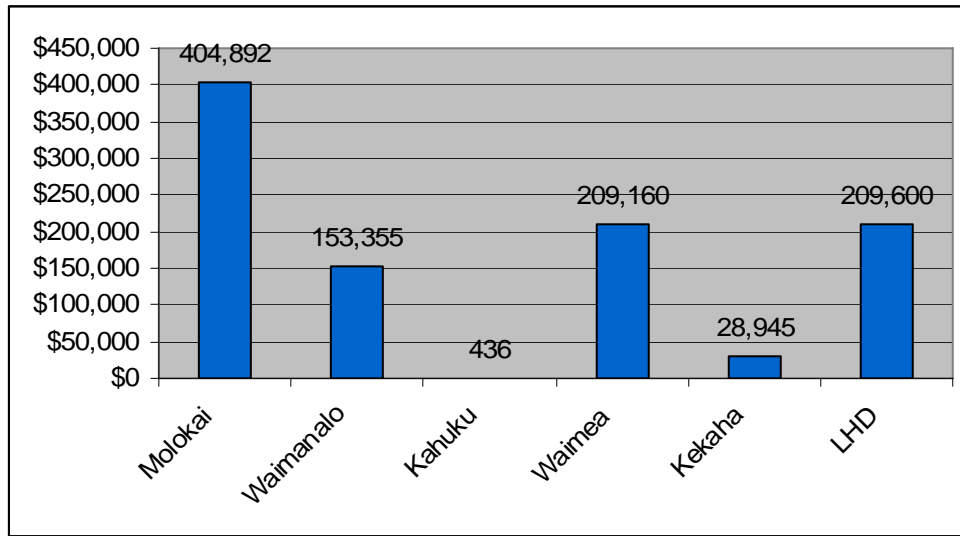


FY 06 MIS Operating Revenue by Source

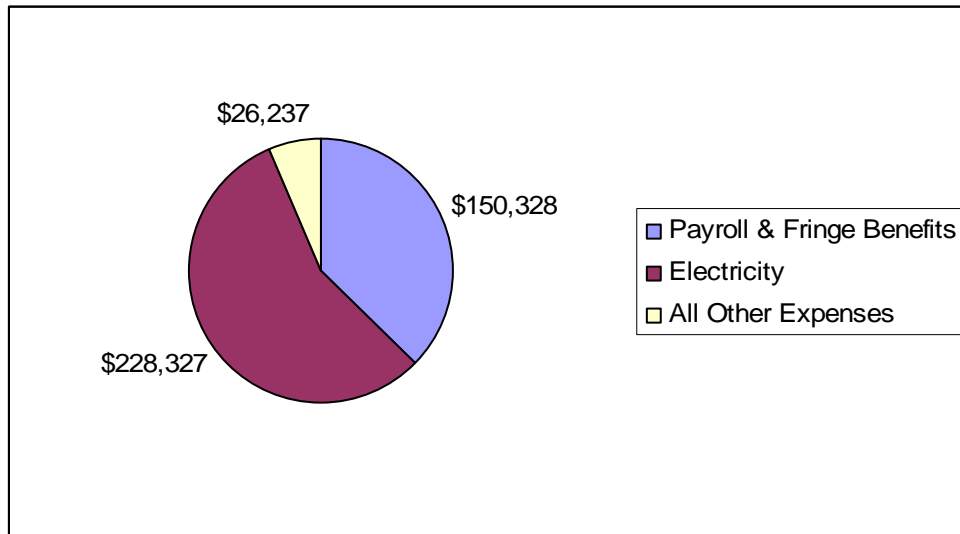


The MIS contributed 59.6% of total operating revenue to the Revolving Fund in FY 06.

FY 06 Irrigation Fund Operating Expense



FY 06 MIS Operating Expense by Category

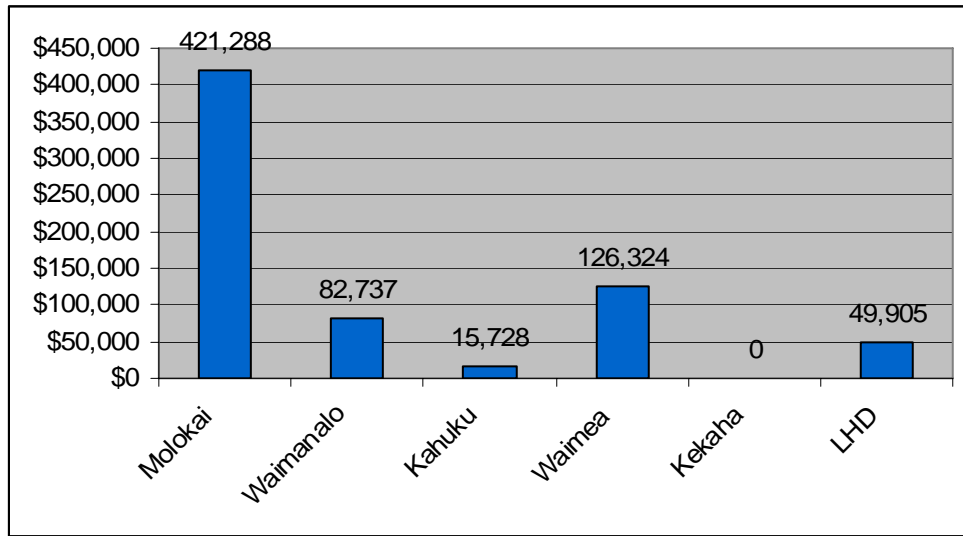


The MIS incurred 40.2% of total operating expenses charged to the Revolving Fund in FY 06.

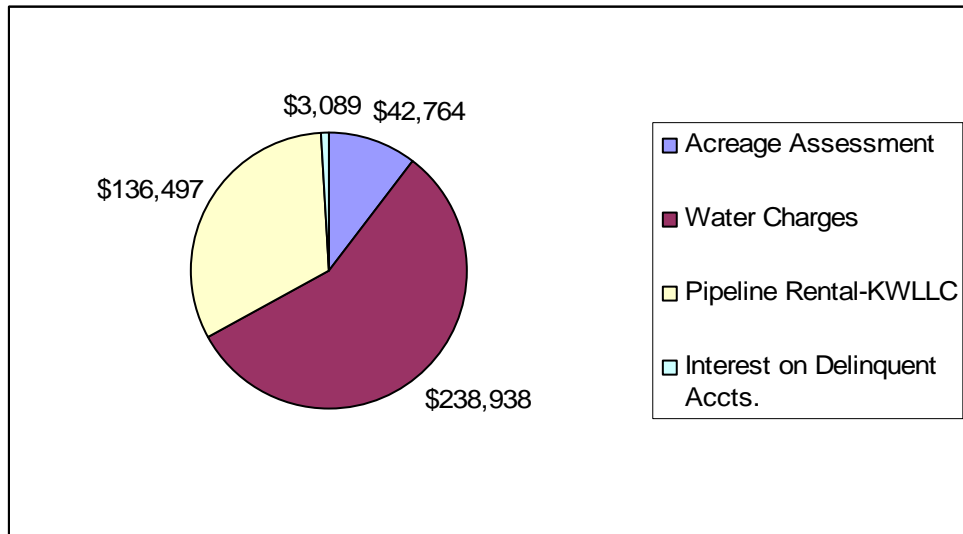
FY 06 Irrigation Fund Administrative Expense

In fiscal year 06, administrative expense totaled \$102,196, comprised of \$51,918 in payroll and fringe benefits, \$ 2,100 for electricity and \$48,178 for other expenses.

FY 05 Irrigation Fund Operating Revenue

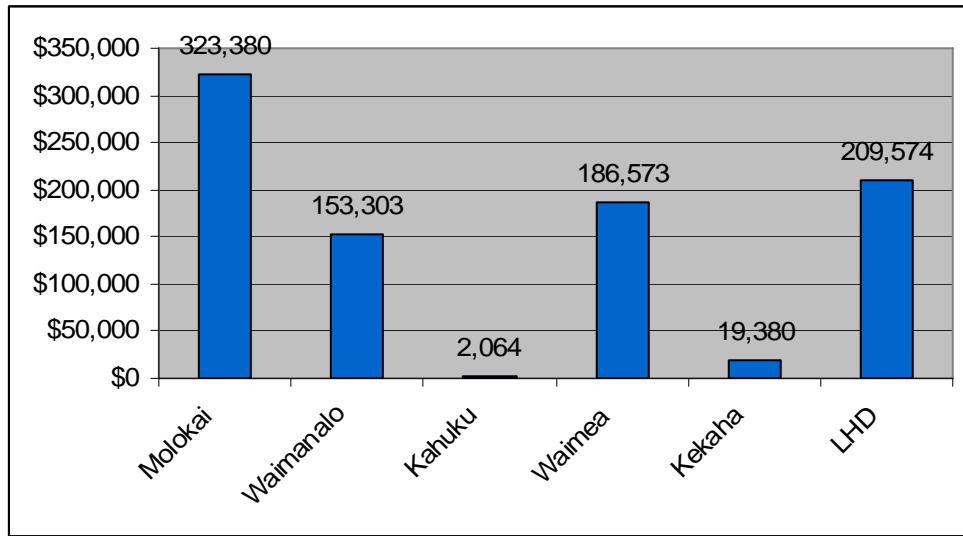


FY 05 MIS Operating Revenue by Source

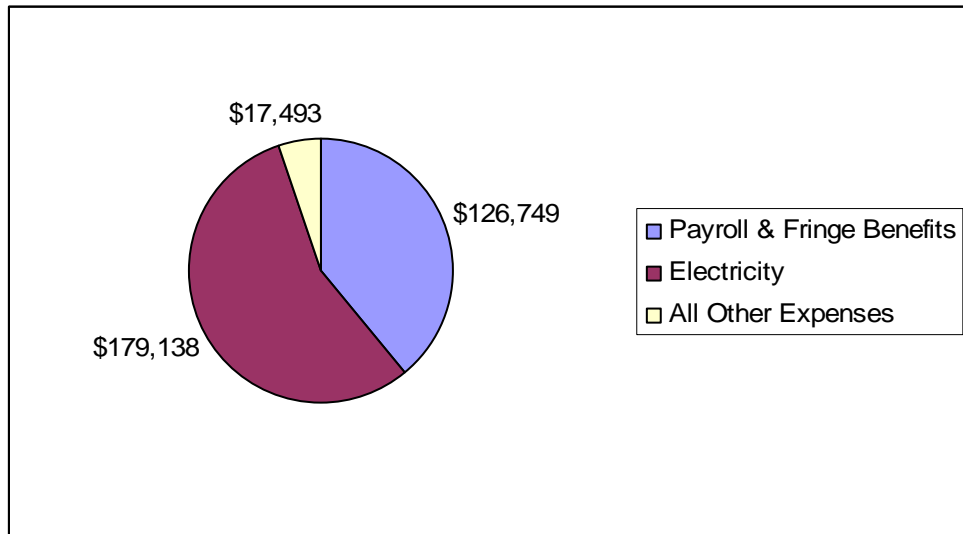


The MIS contributed 60.5% of total operating revenue to the Revolving Fund in FY 05.

FY 05 Irrigation Fund Operating Expense



FY 05 MIS Operating Expense by Category

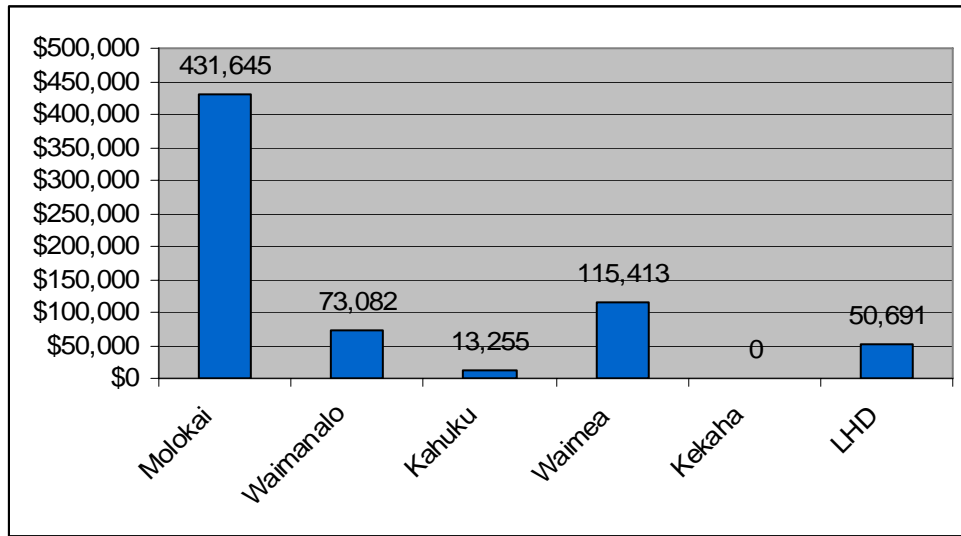


The MIS incurred 36.2% of total operating expenses charged to the Revolving Fund in FY 05.

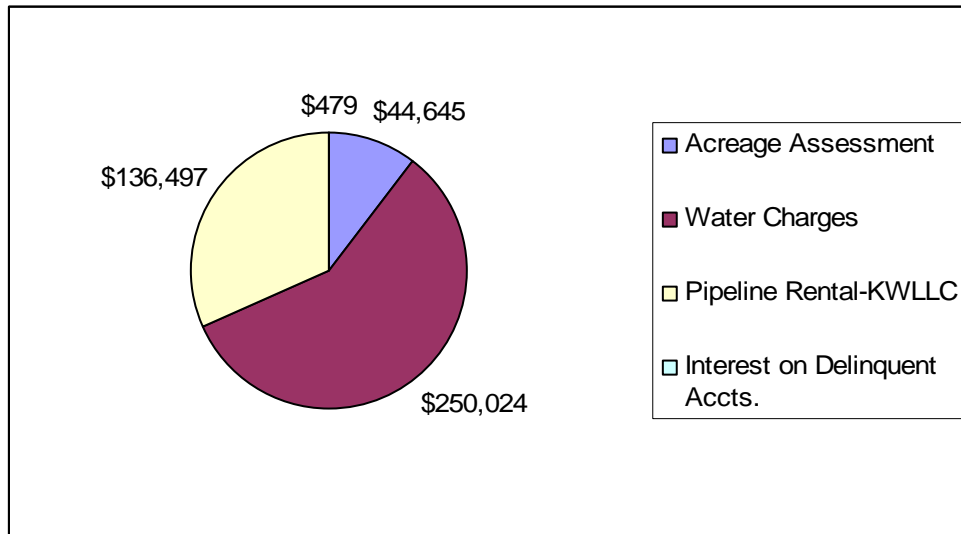
FY 05 Irrigation Fund Administrative Expense

In fiscal year 05, administrative expense totaled \$67,195, comprised of \$ 39,417 in payroll and fringe benefits, \$317 for electricity and \$27,462 for other expenses.

FY 04 Irrigation Fund Operating Revenue

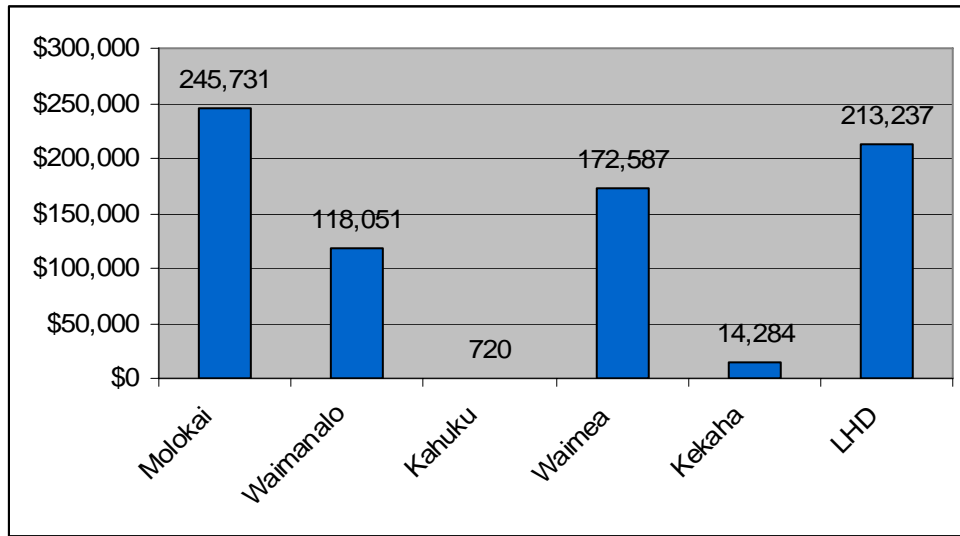


FY 04 MIS Operating Revenue by Source

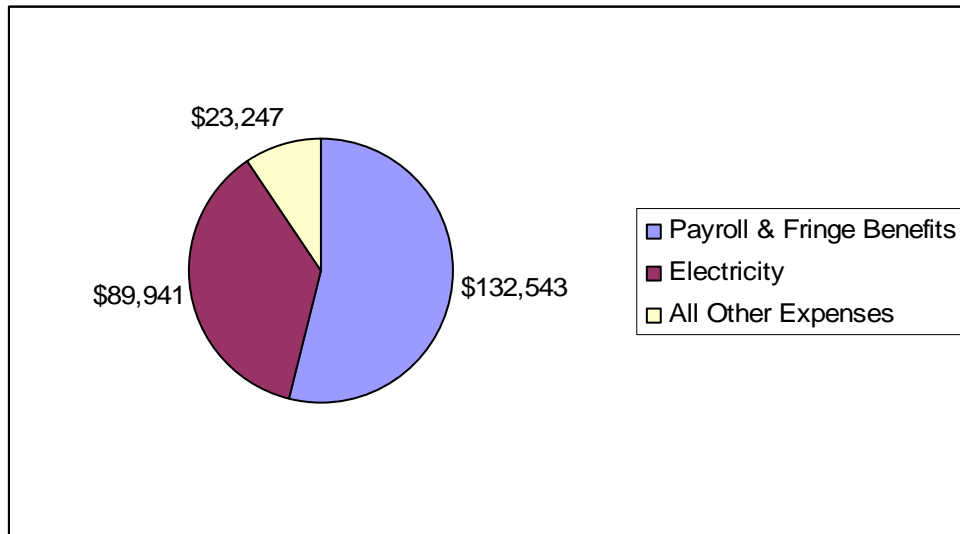


The MIS contributed 63.1% of total operating revenue to the Revolving Fund in FY 04.

FY 04 Irrigation Fund Operating Expense



FY 04 MIS Operating Expense by Category

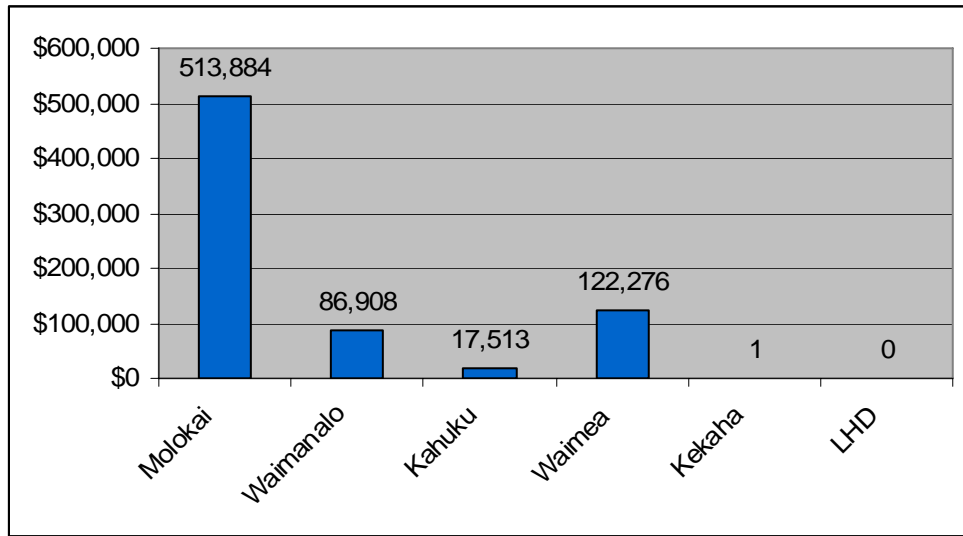


The MIS incurred 32.1% of total operating expenses charged to the Revolving Fund in FY 04.

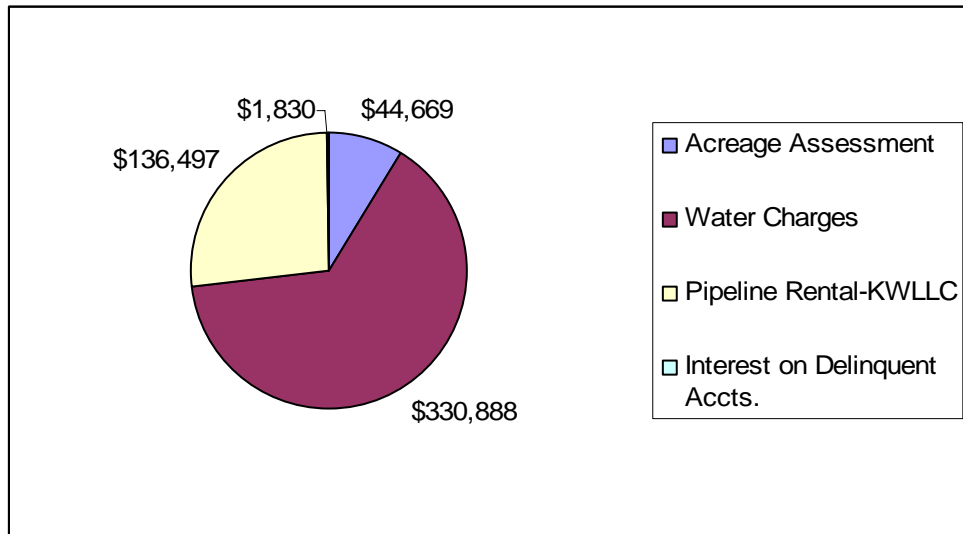
FY 04 Irrigation Fund Administrative Expense

In fiscal year 04, administrative expense totaled \$75,577, comprised of \$ 36,843 in payroll and fringe benefits, \$ 438 for electricity and \$38,296 for other expenses.

FY 03 Irrigation Fund Operating Revenue

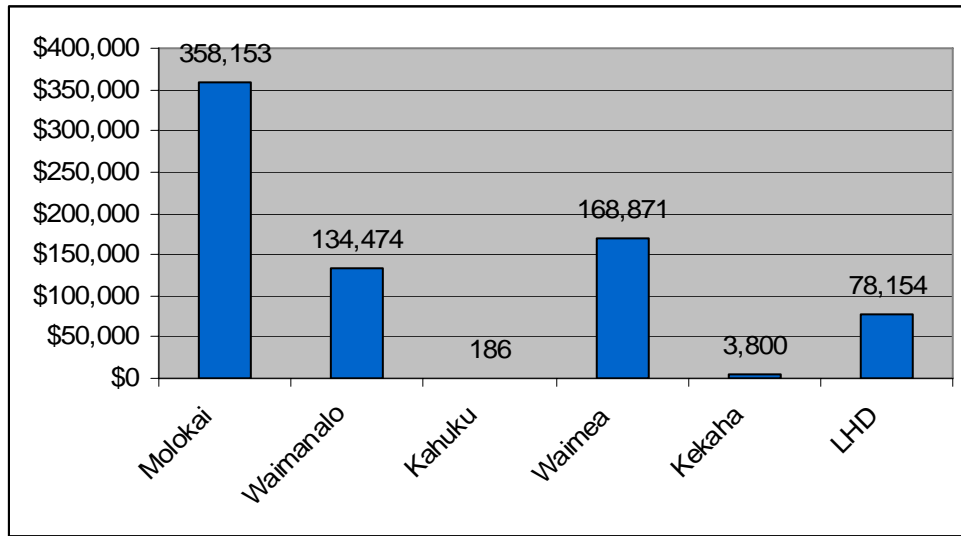


FY 03 MIS Operating Revenue by Source

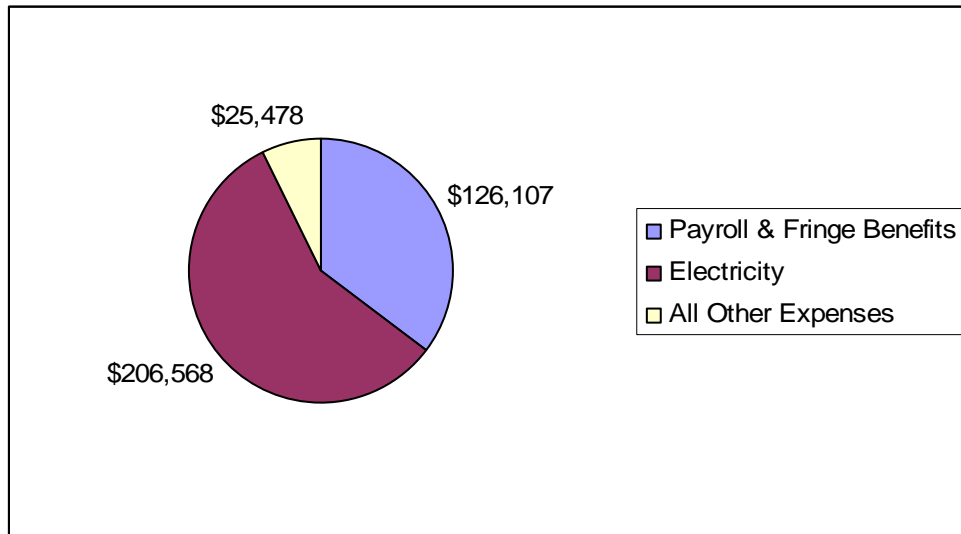


The MIS contributed 69.4% of total operating revenue to the Revolving Fund in FY 03.

FY 03 Irrigation Fund Operating Expense



FY 03 MIS Operating Expense by Category

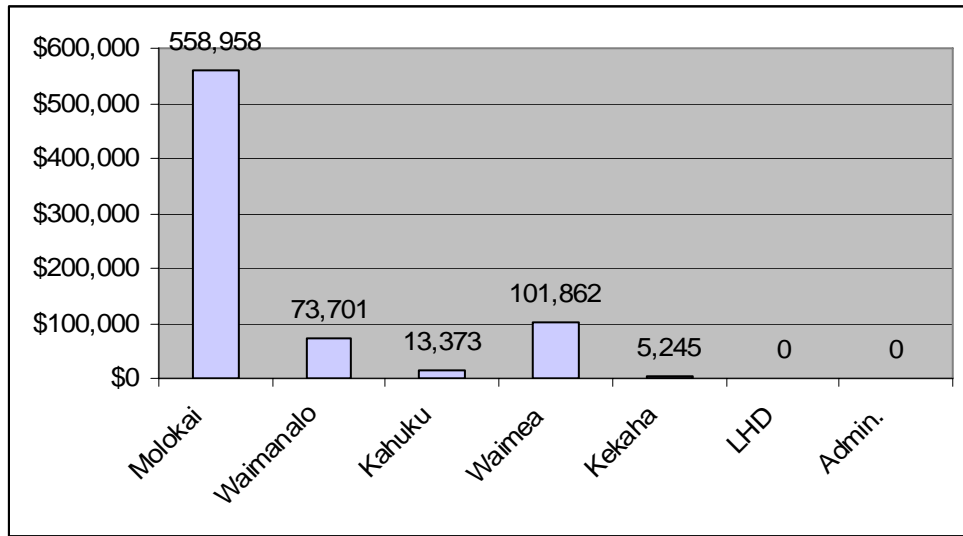


The MIS incurred 48.2% of total operating expenses charged to the Revolving Fund in FY 03.

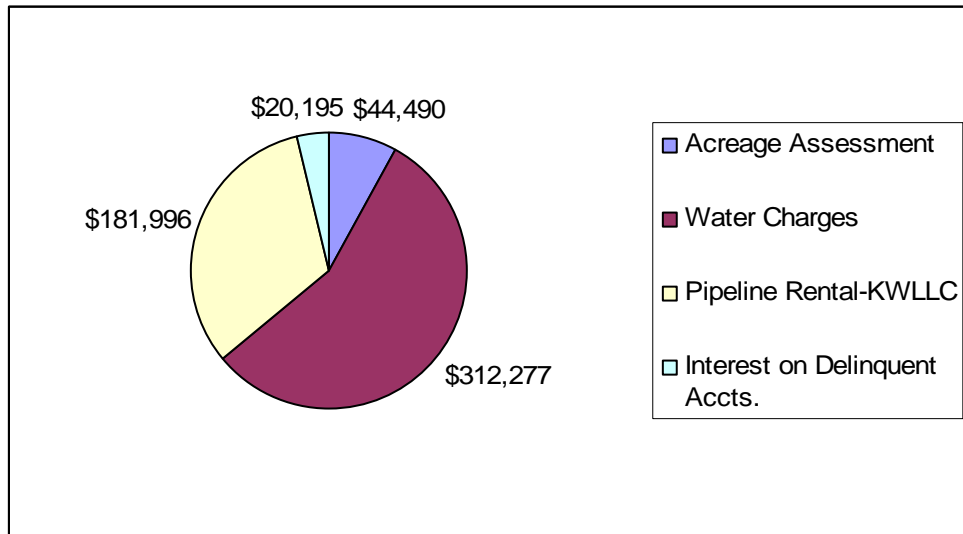
FY 03 Irrigation Fund Administrative Expense

In fiscal year 03, administrative expense totaled \$82,899.

FY 02 Irrigation Fund Operating Revenue

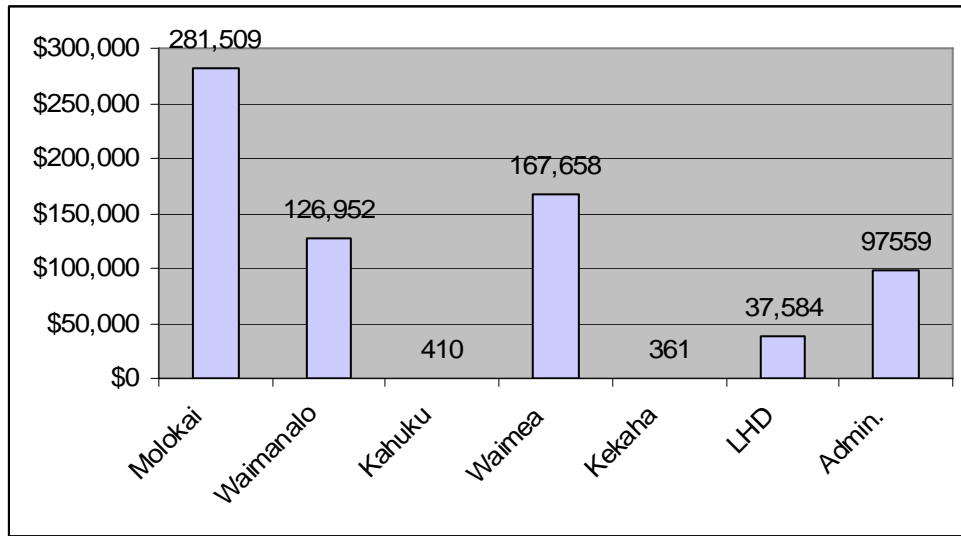


FY 02 MIS Operating Revenue by Source

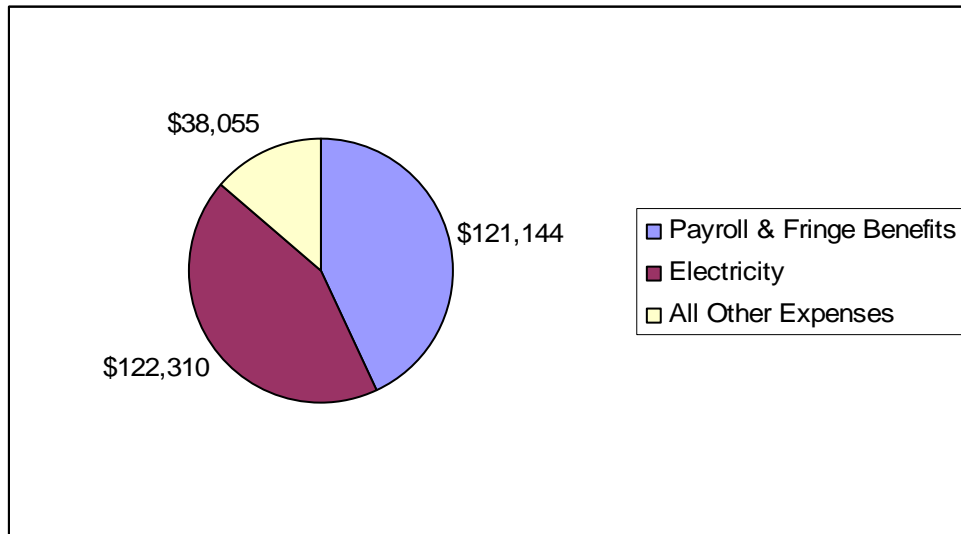


The MIS contributed 74.2% of total operating revenue to the Revolving Fund in FY 02.

FY 02 Irrigation Fund Operating Expense



FY 02 MIS Operating Expense by Category



The MIS incurred 45.8% of total operating expenses charged to the Revolving Fund in FY 02.

FY 02 Administrative Expense

In fiscal year 02, administrative expense totaled \$97,559.