



**Department of Hawaiian
Home Lands
Presentation to Homestead
Association and Beneficiary
Organization Leaders**

PUWALU

DHHL BUDGET

August 6, 2016

Today's Discussion

- 1. Why this PUWALU?**
- 2. Path to DHHL's FINAL 2016-17 Budget**
- 3. Future direction**



Article XII Section 1

(2) “The legislature shall make sufficient sums available for the following purposes (1)...lots; (2)...loans; (3) rehabilitation projects...(4) the administration and operating budget of the department of Hawaiian home lands; in furtherance of (1), (2), (3) and (4) herein, by appropriating the same in the manner provided by law.”



Four Purposes! Not Just One.

Mandatory language in Constitution applies to all FOUR purposes.

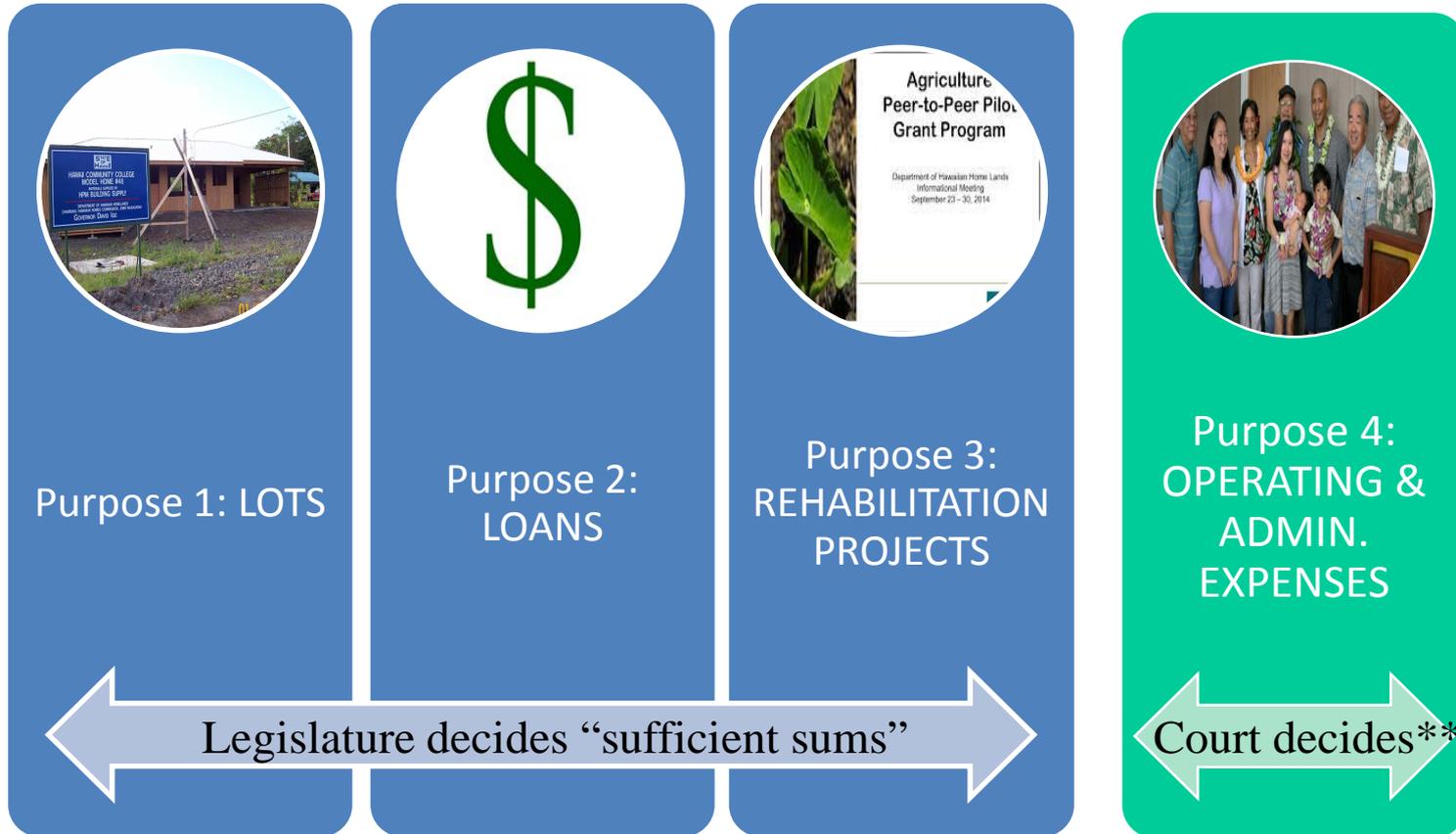
THE BAD NEWS: The Supreme Court has already said they can't determine sufficient sums for first 3 purposes: Lots, Loans, Rehabilitation Projects. This is **up to the Legislature.**

THE GOOD NEWS: Every Legislator is an elected official who needs something from us....our VOTE. Our collective voices matter. We can impact the outcome.

DHHL Budget has included request every year for all four purposes since 2013 Legislature!



Who Decides?



** BUT Getting it funded by the Legislature is the challenge.

DHHL's Budget in Context

**FB 15-17 Operating Budget
Statewide Totals By Department - General Funds**

	Budget Base* FY 2016	% of Total	Budget Base* FY 2017	% of Total	FY 2016	% of Total	FY 2017	% of Total
	553.00		553.00		553.00		553.00	
Accounting & General Svcs	92,884,386	1.5%	93,392,608	1.5%	92,816,886	1.4%	93,325,108	1.4%
	181.68		181.68		181.68		181.68	
Agriculture	13,911,936	0.2%	14,190,930	0.2%	13,911,936	0.2%	14,190,930	0.2%
	348.61		348.61		348.61		348.61	
Attorney General	27,702,673	0.4%	28,288,590	0.4%	27,702,673	0.4%	28,288,590	0.4%
	78.50		78.50		78.50		78.50	
Business, Econ. Dev. & Tourism	9,196,918	0.1%	9,397,307	0.1%	9,446,918	0.1%	9,647,307	0.1%
	136.75		136.75		136.75		136.75	
Budget and Finance	2,106,883,383	33.4%	2,107,319,587	33.2%	2,283,200,725	35.2%	2,518,180,833	37.0%
Commerce & Consumer Affairs	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	142.60		142.60		142.60		142.60	
Defense	15,727,871	0.2%	15,908,932	0.3%	15,867,802	0.2%	16,048,863	0.2%
	19,234.47		19,234.47		19,234.47		19,234.47	
Education	1,494,910,918	23.7%	1,526,475,286	24.0%	1,504,248,350	23.2%	1,535,818,078	22.6%
	16.12		16.12		16.12		16.12	
Charter Schools	72,791,607	1.2%	73,991,500	1.2%	73,438,755	1.1%	74,638,648	1.1%
	547.50		547.50		547.50		547.50	
Public Libraries	31,890,639	0.5%	32,477,468	0.5%	31,890,639	0.5%	32,477,468	0.5%
	24.00		24.00		24.00		24.00	
Governor	3,586,578	0.1%	3,639,497	0.1%	3,489,146	0.1%	3,536,705	0.1%
	-		-		-		-	
Hawaiian Home Lands	-	0.0%	-	0.0%	9,632,000	0.1%	9,632,000	0.1%
	2,009.06		2,009.06		2,009.06		2,009.06	
Health	410,468,415	6.5%	413,919,270	6.5%	410,468,415	6.3%	413,919,270	6.1%
HHSC	86,440,000	1.4%	86,440,000	1.4%	86,440,000	1.3%	86,440,000	1.3%
	97.00		97.00		97.00		97.00	
Human Resources Development	15,873,362	0.3%	16,082,710	0.3%	15,873,362	0.2%	16,082,710	0.2%
	1,130.57		1,130.57		1,130.57		1,130.57	
Human Services	1,189,838,291	18.9%	1,191,146,732	18.8%	1,168,964,205	18.0%	1,210,219,142	17.8%
	175.70		175.70		175.70		175.70	
Labor and Industrial Relations	14,268,395	0.2%	14,583,769	0.2%	14,268,395	0.2%	14,583,769	0.2%
	410.25		410.25		410.25		410.25	
Land and Natural Resources	30,227,200	0.5%	30,679,954	0.5%	30,302,200	0.5%	30,754,954	0.5%
	8.00		8.00		9.00		9.00	
Lieutenant Governor	1,446,179	0.0%	1,476,296	0.0%	1,606,179	0.0%	1,636,296	0.0%
	2,632.10		2,632.10		2,632.10		2,632.10	
Public Safety	236,817,016	3.8%	241,358,603	3.8%	236,862,016	3.7%	241,403,603	3.5%
	-		-		-		-	
Subsidies	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	384.00		384.00		384.00		384.00	
Taxation	28,416,377	0.5%	28,710,250	0.5%	28,416,377	0.4%	28,710,250	0.4%
	-		-		-		-	
Transportation	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	6,556.09		6,556.09		6,556.09		6,556.09	
University of Hawaii	420,074,683	6.7%	420,793,331	6.6%	420,074,683	6.5%	420,793,331	6.2%
	34,666.00		34,666.00		34,667.00		34,667.00	
TOTAL REQUIREMENTS	6,303,356,827	100.0%	6,350,272,620	100.0%	6,478,921,662	100.0%	6,800,327,855	100.0%

**FB 15-17 Operating
Budget General Funds
(Gov's Exec.
Biennium Budget)**

**Budget & Finance:
2.518B -- 37%**

**DOE:
\$1.535B -- 22.6%**

**DHHL: \$9.6M -- 0.1%
(Biggest request until
this year....)**

**Human Services 1.21B
-- 17.8%**

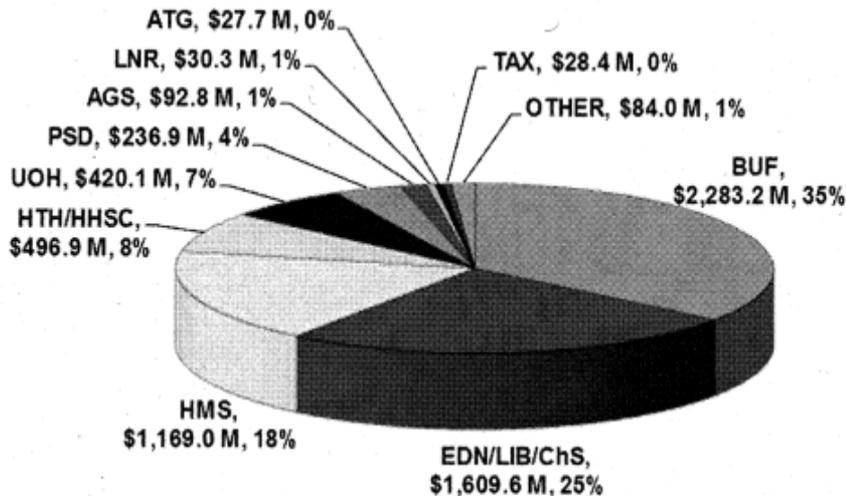
**TOTAL
\$6.8B**

*The FYs 16 and 17 Budget Bases reflect FY 15 appropriations from Act 134, SLH 2013, as amended by Act 122, SLH 2014, plus collective bargaining and specific recurring costs, and minus non-recurring expense adjustments.

FB 15-17 Operating Budget

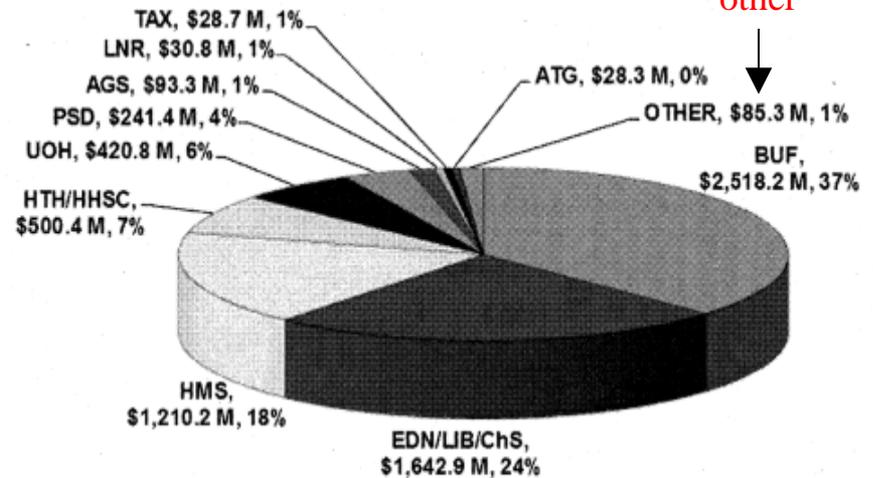
Statewide Totals by Department - General Fund

FY 2016



Total \$6.48 B

FY 2017



Total \$6.80 B

Source:

To Keep in Mind

The Legislature decides amounts for LOTS, LOANS, & REHAB PROJECTS (Purposes 1, 2, 3).

DHHL's voice alone (as a state agency) will NOT secure "sufficient sums" for these purposes (especially rehab projects, like community centers).

Your voice (and vote) matters.

In the state operating budget, DHHL's share is "pocket change". Dissension & conflict is the easiest excuse Legislators can use to give this "change" to another priority/state agency.

This PUWALU begins the process for the next biennium (2 year) legislative cycle so we can support each other because.....

We are stronger together.



Path
to DHHL's
2016-17 Budget

Step 1

“Sufficient Sums”

Budget

FY 2016-17 Sufficient Sums “ASK” of Governor and
Legislature

Defining Terms (Unique to DHHL)

DHHL “Sufficient Sums” Budget or “Sufficient Sums” ASK:
The resources DHHL would need to provide adequate services to our clientele (inclusive of additional personnel).

DHHL Budget or Final Budget: Actual allocated resources DHHL has to fund its current fiscal year programs and activities. Includes 4 sub budgets: (1) an executive budget (operating and administrative costs, debt service, and federal funds); (2) a development budget, (3) a loans budget, and (4) a rehabilitation projects budget .



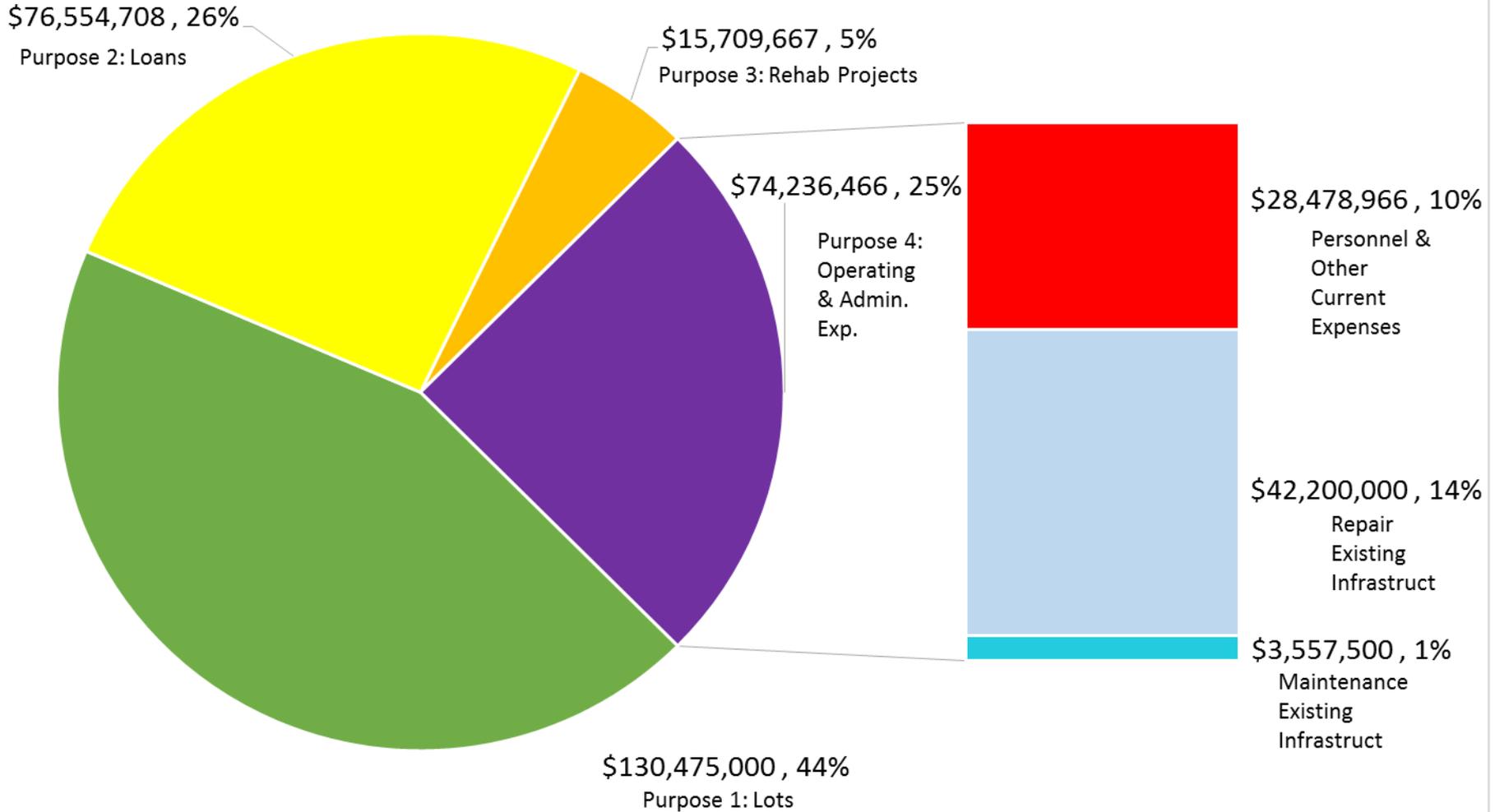
DHHL's "Sufficient Funds" Budget FY 2017 (starts 7/1/2016 – 6/30/2017) – 4 Purposes

PURPOSE 1: LOTS	\$130,475,000
PURPOSE 2: LOANS	\$ 76,554,708
PURPOSE 3: REHAB PROJECTS	\$ 15,709,667
PURPOSE 4: OPERATING & ADMIN (as defined by DHHL includes Repair & Maintenance Expenses)	\$ 74,236,466
TOTAL:	\$296,975,841

Presented to the House Finance and Senate Ways & Means Committee
January 14, 2016. DHHL FY 2017 Supplemental Budget Request



DHHL SUFFICIENT FUNDS BUDGET "ASK" FY 2017



Defining Terms (State Budget)

State Operating Budget: Requested operating appropriations by cost element (personal services (personnel), other current expenses, equipment, and motor vehicles) and by means of financing (general funds, special funds, etc.).

Capital Improvements Budget: Lists all capital improvement projects that require appropriations during the budget period.

Source: The Organization of the Program Plan and Executive Budget FB15-17



DHHL's "Sufficient Funds" Budget FY 2017

Operating Budget / CIP Budget

Capital Improvement Project (CIP Funding)

PURPOSE 1: LOTS	\$130,475,000
PURPOSE 2: LOANS	\$ 76,554,708
PURPOSE 3: REHAB PROJECTS	\$ 15,709,667
PURPOSE 4: MAINTENANCE	\$ 3,557,500
<u>PURPOSE 4: REPAIR EXIST. INFRA.</u>	<u>\$ 42,200,000</u>
SUBTOTAL:	\$ 268,496,875

Operating Budget

PURPOSE 4:	
--PERSONNEL	\$ 13,838,391
<u>--OTHER CURRENT EXPENSES</u>	<u>\$ 14,640,575</u>
SUBTOTAL:	\$ 28,478,966
TOTAL:	\$296,975,841



Step 2
Administrative &
Operating Expenses

PURPOSE 4

Purpose 4: Administrative and Operating Expenses (in State Operating Budget)

"Apples-to-Apples": DHHL General Funding FY 2016-17

	Nelson Case Decision: Sufficient Sums	State Legislature Act 124, SLH 2016	Difference
Personnel Services:	260 Positions \$ 13,838,391	200 Positions \$ 11,258,975	\$ (2,579,416)
	Fringe: Not in DHHL's Budget; Funded by Dept of B&F Budget. \$ -	Fringe: in DHHL's budget. \$ 5,854,667	\$ 5,854,667
		Fringe: Transfer funds to Dept of B&F Budget for DHHL fringe \$ (5,854,667)	\$ (5,854,667)
Other Current Expenses:	All Administrative and Operating costs are General Funded \$ 14,640,575	Identified and excluded certain Budget Administrative and Operating codes; Legislature funded excluded codes in DHHL Special and Trust Funds \$ 6,811,698	\$ (7,828,877)
Total:	Sufficient Sums Determination \$ 28,478,966	Net \$ 18,070,673	\$ (10,408,293)
			General Fund Shortage



Castagnetti Order (Nelson Case)

#2 “The State of Hawaii must fulfill its constitutional duty by appropriating *sufficient general funds* to the Department of Hawaiian Home Lands for its administrative and operating budget so that the Department *does not need to use or rely* on revenue directly or indirectly from general leases to pay for these expenses.” (emphasis added)”

DHHL CAN use its own revenues to pay for operating and administrative expenses, BUT it shouldn't have to.



Castagnetti Order (Nelson Case)

Nelson Case is still ongoing. Until the Supreme Court rules unresolved issues remain:

- (1) What are the items included as an administrative and operating expense?

Budget & Finance/Governor/Legislature **do not agree** with DHHL's list of items included as an administrative and operating expense.

- (2) How much is “sufficient”?

\$28.4M vs. \$18.07M for Fiscal Year 2016-17.



To Keep in Mind

During this TRANSITION PERIOD, (until the Nelson Case appeals are done....)

We have the same end goal: secure as much general funds as possible to pay for administrative and operating expenses so DHHL resources can support the other purposes.

Shortfalls in general funding will occur and DHHL trust/special funds will need to be used to meet critical/priority needs.

BUT we continue to make our case that these are administrative and operating expenses (that should be general funded) until the case is complete.



Purpose 4: Administrative and Operating Expenses (in State Operating Budget)

"Apples-to-Apples": DHHL General Funding FY 2016-17

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Personnel Services:	260 Positions \$ 13,838,391	200 Positions \$ 11,258,975	\$ (2,579,416)
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Total:	Sufficient Sums Determination \$ 28,478,966	Net \$ 18,070,673	\$ (10,408,293)

General Fund Shortage



Purpose 4 Items

Funded with DHHL Resources (Special and Trust Funds)

District Offices

Budget Codes Excluded from General Funding District Offices

District Operations-East Hawaii

Maintenance of Unencumbered Lands	10,000
Puhi Beach Park Maintenance	50,000
	<hr/>
	\$60,000

District Operations - Maui

Maintenance of Unencumbered Lands	15,000
Paukukalo Community Center-Maui	137,400
	<hr/>
	\$152,400

District Operations-Molokai

Lanikeha	27,500
Molokai Water System	744,900
Parks and Grounds	98,900
	<hr/>
	\$871,300

District Operations-Kauai

Maintenance of Unencumbered Lands	6,000
Anahola Water System/Puu Opae Water	78,450
	<hr/>
	\$84,450

District Operations- West Hawaii

Maintenance of Unencumbered Lands	4,400
Road Construction & Maintenance on Unencumbered Lands	100,000
Kuhio Hale	92,684
Kawaihae Water System	400,000
	<hr/>
	\$597,084



Purpose 4 Items
Funded with DHHL Resources (Special and Trust Funds)
Budget Codes Excluded from General Funds -- Other Divisions

Land Development

Electricity-Subdivisions	340,000
Water-Subdivisions	17,000
Puukapu Hybrid Water System	220,000
	<u>577,000</u>

Land Management

Aina Mauna Plan	500,000
Kahikinui Road Repair	75,000
HRS Chapter 343 Environmental Compliance	200,000
Utilities (Electricity and Water)	380,000
Repair and maintenance of equipment, buildings, motor vehicles	91,500
Community Based Programs	5,000
South Point Plan Implementation	300,000
Maintenance of Unencumbered Lands	300,000
	<u>1,851,500</u>

Planning

Honomu Plan	400,000
Agricultural Program Plan	100,000
Water Assets Inventory	220,000
Water Rights Studies	150,000
Watershed Management & Partnerships	100,000
Kapaakea Shoreline Assessments	100,000
Critical Habitat Fencing	350,000
Community Capacity Building	450,000
Regional Plan Update	150,000
South Point Management Plan EA and Technical Studies	286,000
	<u>2,306,000</u>

SUBTOTAL GENERAL FUND EXCLUSIONS	\$6,499,734
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Purpose 4 Items

Funded with DHHL Resources (Special and Trust Funds)

Other Fee for Service Expenses

Office of the Chair

Loan Portfolio/Risk Assessment	100,000
Investment/Financial Portfolio Expertise	100,000
	200,000

Planning Office

CES Contract with Sea Grant Community Based Stewardship Project	50,000
HHL Claims	200,000
	250,000

SUBTOTAL	450,000
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SUMMARY	
Budget Codes Excluded from General Funding	\$6,499,734
Other Fee for Service Expenses	450,000
Other Object Codes	\$855,074
Restrictions (revisit if program execution or hiring faster than expected)	\$2,603,485
TOTAL Special and Trust Funds	\$10,408,293

General Fund shortfall:
\$10,408,293



Step 3

Lots, Loans, Rehab Projects

Purpose 1 (Lots); Purpose 2 (Loans); Purpose 3 (Rehabilitation
Projects)

DHHL Sources of Revenue

Revenues from
Available
Lands (General
leases, Licences,
Revocable Permits, Rights
of Entry)

HHL Trust
Fund
Investment
Income

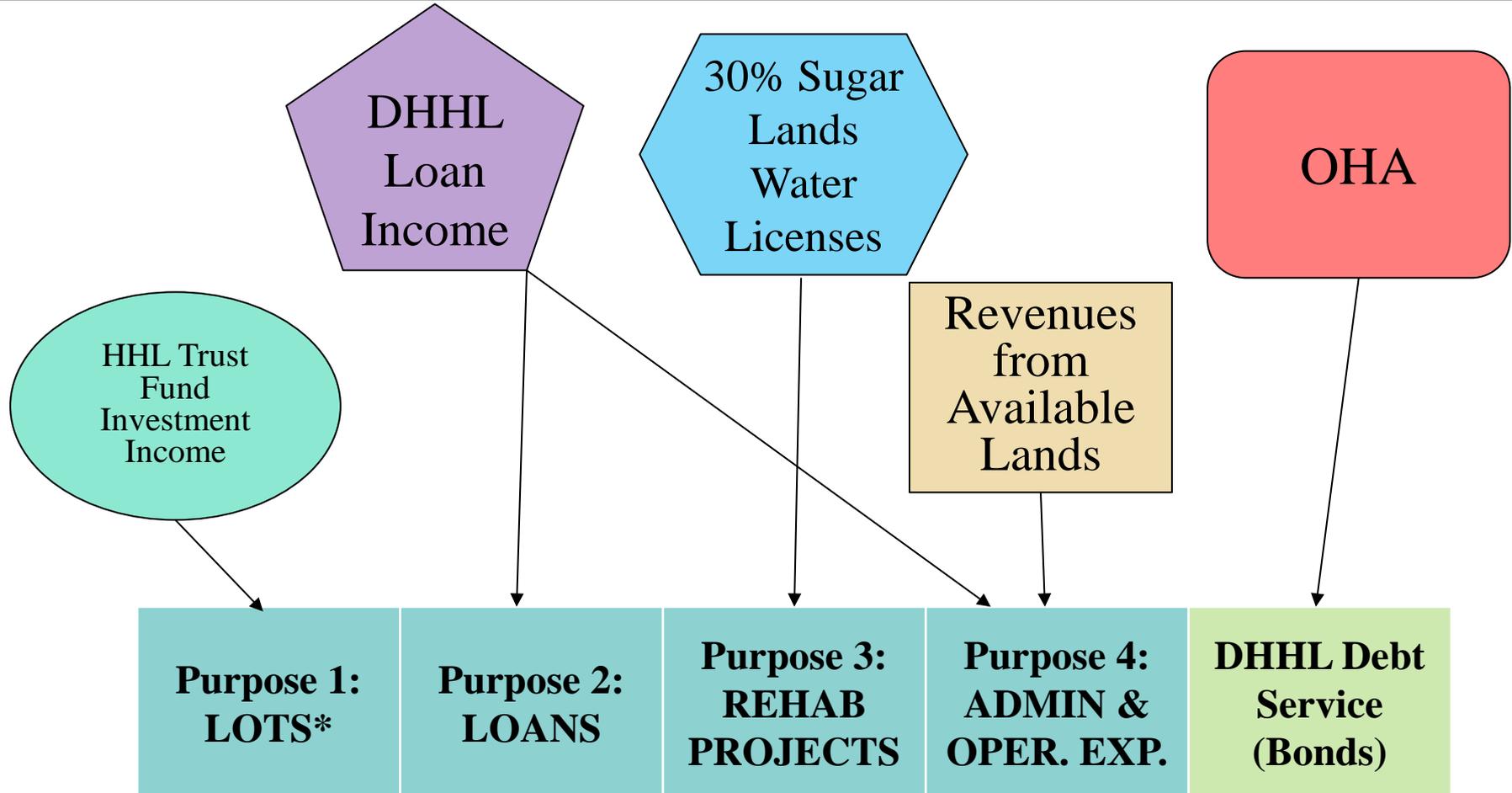
OHA

30% Sugar
Lands
Water
Licenses

DHHL
Loan
Income



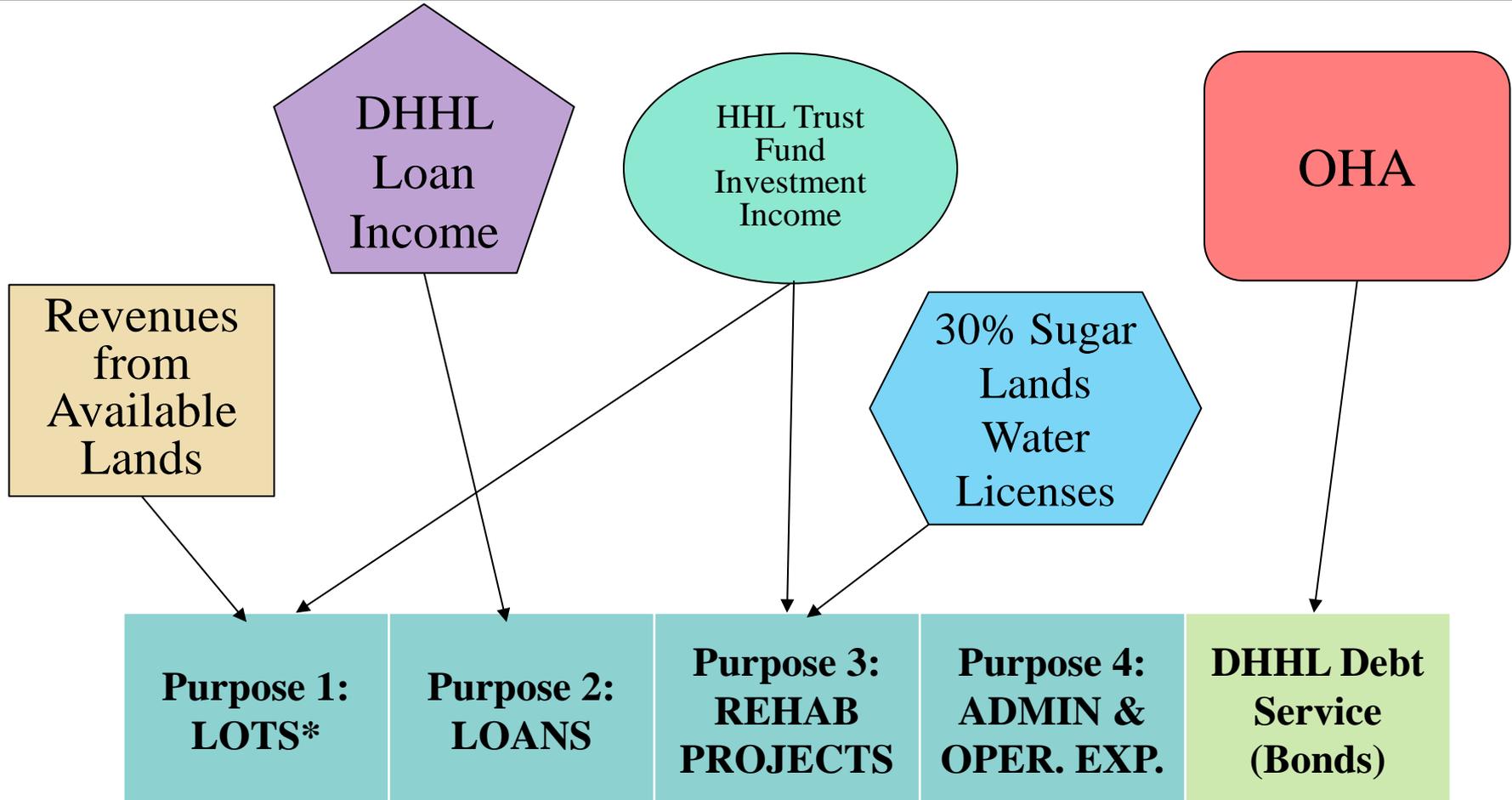
Uses of DHHL Sources of Revenue (pre 2016-17 Budget)



*Includes Repair & Maintenance of Existing Infrastructure (roads, sewers, drainage, etc.) that DHHL actually considers a Purpose 4, but Judge Castagnetti did not include in sufficient funds amount.



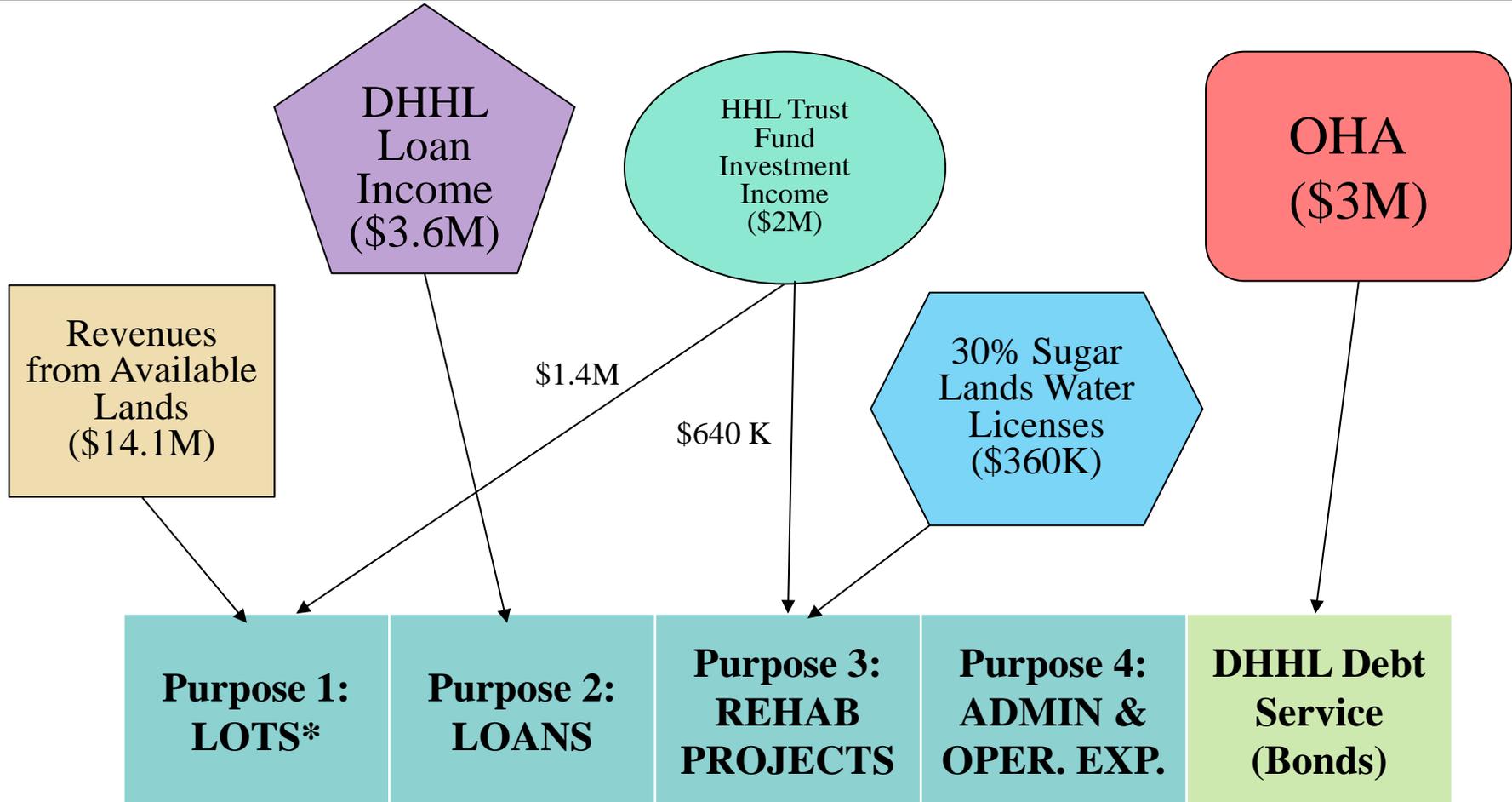
Uses of DHHL Sources of Revenue (2016-17 Budget)



*Includes Repair & Maintenance of Existing Infrastructure (roads, sewers, drainage, etc.) that DHHL actually considers a Purpose 4, but Judge Castagnetti did not include in sufficient funds amount.



Projected Revenues 2016-17 & Budgeted Amounts



*Includes Repair & Maintenance of Existing Infrastructure (roads, sewers, drainage, etc.) that DHHL actually considers a Purpose 4, but Judge Castagnetti did not include in sufficient funds amount.



DHHL Budget (FINAL)

Development Budget FY 2016-17 (Purpose 1 & 4)

"Sufficient Sums" ASK	
Purpose 1: Lots	130,475,000
Purpose 4: Repair & Maintenance of Existing Infrastructure	45,757,500
TOTAL	\$176,232,500

Development Budget FY 16-17

Source & Use of Funds

LOT Development Addressing the Waiting List

DHHL Revenues (Avail Lands & Investment Income)	6,376,000	41%
NAHASDA Fed Funds (approved projects list)	50,521,000	
USDA/Other Federal Funds	11,250,000	
Legislature provided Capital Improvements Projects	-	

SUBTOTAL **68,147,000**

Repair, Maintenance Existing Subdivisions

DHHL Revenues (Avail Lands & Investment Income)	9,124,000	59%
NAHASDA Fed Funds (approved projects list)	5,104,000	
USDA/Other Federal Funds	3,971,000	
Legislature provided Capital Improvements Projects	16,750,000	

SUBTOTAL **34,949,000**

TOTAL BUDGET **\$ 103,096,000**



DHHL Budget (FINAL)

Rehabilitation Projects Budget & Loans Budget

FY 2016-17 (Purpose 2 & 3)

"Sufficient Sums" ASK	
Purpose 2: Loans	76,554,708
Purpose 3: Rehabilitation Projects	15,709,667
TOTAL	\$92,264,375

Loans & Rehabilitation Projects Budget FY 16-17

Source & Use of Funds

Loans Budget

DHHL Revenues (Loan Income)	3,600,000
Available Balances	4,100,000
General Fund/General Obligation Bond Funded	-

SUBTOTAL **7,700,000**

Rehabilitation Projects Budget

DHHL Revenues (30% Sugar/Water & Investment Income)	1,000,000
Available Balances	124,550
General Fund/General Obligation Bond Funded	-

SUBTOTAL **1,124,550**

TOTAL BUDGET **\$ 8,824,550**



DHHL Budget (FINAL)

Administrative and Operating Expenses, NAHASDA, Debt Service FY 2016-17 (Purpose 4 & Other)

"Sufficient Sums" ASK	
Purpose 4: Administrative and Operating Expense (not including Repair & Maintenance)	28,478,966
TOTAL	\$28,478,966

Admin & Operating Exp. & Other Costs Budget

Source & Use of Funds

Administrative and Operating Expenses

DHHL Revenues	-
Available Balances	10,408,293
General Fund/General Obligation Bond Funded (not including Fringe to be transferred to B&F)	18,070,673
SUBTOTAL (without Fringe)	28,478,966
Fringe (General Fund in DHHL Budget)	5,854,667
SUBTOTAL (with Fringe)	34,333,633

Other Programs/Expenses

Debt Service Revenue Bonds

OHA	3,000,000
Available Balances	200,000
General Fund/General Obligation Bond Funded	-
SUBTOTAL	3,200,000

Non CIP NAHASDA (Approved Projects List) 34,375,610

Summary	
Admin & Operating Expenses (with Fringe)	34,333,633
Debt Service	3,200,000
Non-CIP NAHASDA	34,375,610



DHHL Budget (FINAL) FY 2016-17

"Sufficient Sums" ASK	
Purpose 1: Lots	130,475,000
Purpose 2: Loans	76,554,708
Purpose 3: Rehabilitation Projects	15,709,667
Purpose 4: Repair & Maintenance of Existing Infrastructure	45,757,500
Purpose 4: Administrative and Operating Expense (not including Repair & Maintenance)	28,478,966
TOTAL	\$296,975,841



DHHL Budget (FINAL) FY 2016-17

DHHL Final Budget FY 2016-2017

Source & Use of Funds

Development Budget (Lots & Repair & Maint.)

DHHL Revenues	15,500,000
Federal Funds (Approved Projects)	70,846,000
Legislature provided Capital Improvements Projects	16,750,000

SUBTOTAL	103,096,000
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Loans and Rehabilitation Projects Budget

DHHL Revenues Loans	3,600,000
DHHL Revenues Rehab Projects	1,000,000
DHHL Available Balances	4,224,550

SUBTOTAL	8,824,550
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Admin & Operating, Federal, and Debt Service

DHHL Available Balances	10,408,293
General Fund/General Obligation Bond Funded (not including Fringe to be transferred to B&F)	18,070,673

SUBTOTAL (w/o Fringe)	28,478,966
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Fringe (General Fund in DHHL Budget)	5,854,667
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SUBTOTAL (w Fringe)	34,333,633
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Debt Service Revenue Bonds

OHA	3,000,000
Available Balances	200,000

SUBTOTAL	3,200,000
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Non CIP NAHASDA (Approved Projects List)	34,375,610
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TOTAL FINAL BUDGET	183,829,793
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without Federal Funds	78,608,183
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DHHL Budget (FINAL) FY 2016-17

FUNDING SOURCE

DHHL

DHHL Revenues	20,100,000
DHHL Available Balances	14,832,843
Subtotal	34,932,843

State Legislature

General Funds	18,070,673
General Funds Fringe	5,854,667
CIP	16,750,000
Subtotal	40,675,340

Other

OHA	3,000,000
Federal Funds	105,221,610

TOTAL **183,829,793**

without Federal Funds **78,608,183**



Next Steps

Building the “Sufficient Sums” ASK for the FY 17-18; FY 18-19 Biennium Budget

What is Needed: Developing the “ASK”

Regional Priorities (Puwalu)	Address the Waitlist	Repair & Maintain Exist. Subdiv.	Loans	Rehab Projects	Admin & Oper. Expenses	Debt Service	Manage Trust Resource
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Same “ASK” Cut by Purpose

Purpose 1 LOTS	Purpose 2 LOANS	Purpose 3 REHAB PROJECTS	Purpose 4 ADMIN & OPER. EXPENSES
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Same “ASK” Cut by State Budget Request

State Operating Budget	State CIP Budget
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By September 2016 HHC meeting

