

STATE OF HAWAII

DEPARTMENT OF HAWAIIAN HOME LANDS

June 20, 2022

TO: Chairman and Members, Hawaiian Homes Commission
FROM: Rodney K. M. Lau, Administrative Services Officer
SUBJECT: Approval of Fiscal Year 2023 Department of Hawaiian Home Lands Budget



RECOMMENDED MOTION/ACTION

1. Approval of the Fiscal Year 2023 Department of Hawaiian Home Lands Budget and authorize the Chairman to shift funding of expenditures between cost elements and funds as warranted but not to exceed the total budget and any shift in funding between cost elements by the chair shall not exceed \$500,000.
2. Approval of Fiscal Year 2022 Development budget and allow for amounts not encumbered in FY 2022 to be encumbered in FY 2023. For the Development budget items, allow the Chair's authority to shift funding between cost elements if not to exceed \$1,000,000.
3. Approval to transfer \$22,000,000 from the Hawaiian Home Administration Account to the Hawaiian Home Operating Fund.

DISCUSSION

Purpose 4: Administrative and Operating Costs

Pursuant to HB 1600 CD1, the State Legislature appropriated \$15,795,216 in general funds, \$4,824,709 in special funds (Hawaiian Home Administration Account), and \$3,740,534 in trust funds (Hawaiian Home Operating Fund) to finance DHHL's administrative and operating (A&O) costs.

General fund fringe benefit costs are absorbed separately in a Department of Budget and Finance appropriation, consistent with all other State general funded programs.

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"Personal Services" costs (\$10,977,618 in FY 2023) is comprised of funding base salaries of 181 positions with a position count of 200 positions. General fund financing "Other Current Expenses" total \$4,817,598.

HB 1600 CD1 kept the general fund position count of 200 positions intact and funded only 181 of the 200 general funded positions.

Attachment "A" provides the means of financing recommended to fund the Administrative and Operating Budget for fiscal year 2023.

Purpose 1: Lot Development

Attachment "B" provides the means of financing for the projects recommended to fund the Lot Development Budget for fiscal year 2023.

The Development Budget responds to issues and priorities expressed by the Commission. In addition, the following principles guided the preparation of the list of projects:

- The department's commitment to providing improvements for the Undivided Interest Lots that have been awarded, and to completing other projects that have been initiated;
- The development of new homesteads for award, with particular emphasis on providing improved residential lots;
- The need to repair, maintenance and upgrade of aging infrastructure on Hawaiian home lands; and
- The need to initiate the planning and design of new homestead projects to provide an inventory for future development.
- Design and construction of projects that are awarded USDA Rural Development loan/grant funds. These projects leverage federal funding resources to reduce the amount of funds needed from the Trust Fund for projects.

The primary sources of financing are from general obligation bond financing from the State Legislature, the Hawaiian Home Operating Fund (HHOF), the Hawaiian Home Lands Trust Fund (HHLTf), the Native American Housing and Self-

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Determination Act (NAHASDA), a U.S. Housing and Urban Development program and the United States Department of Agriculture Rural Development program (USDA-RD).

Pursuant to HB 1600 CD1 (see Attachment B: CIP Supplemental Appropriations FY 2023), the State Legislature appropriated \$37.0 million in general obligation bonds to finance a portion of DHHL's Development Budget.

Purpose 2: Loans

Pursuant to Act 11, SpSLH 1995, all special and revolving funds are subject to the State allotment process. For the DHHL's loan program, this affects the financing provided by the Hawaiian Home Loan Fund and the Hawaiian Home General Loan Fund. This budget will serve as a basis to allot funds necessary for equity payments of cancelled or surrendered homestead lease improvements, new loan financing and insurance advances, property tax advances, and contingency reserve for loan guarantee and insurance programs.

Fiscal year 2023 Loan Program Budget, as shown below, sets forth the planned expenditures by cost elements as follows:

	Loans: Fiscal Year 2023	Total	(S-302-I) HH Loan Fund	(S-323-I) HH General Loan Fund	(T-917-I) HH Trust Fund	(T-902-I) HHL Trust Fund	NAHASDA
A.	Section 209 HHC Transaction	3,000,000	2,000,000	1,000,000	0	0	
B.	Direct Loan Financing	12,000,000		5,000,000	0	0	7,000,000
C.	Real Property Taxes	100,000		100,000	0	0	
D.	Contingency-Guaranteed/Insured Loan Portfolio	2,400,000		2,400,000	0	0	
E.	Loans Receivable/Interest Receivable Write-offs/Write downs	1,200,000		0	1,200,000	0	
F.	Loan Adjustment	34,000,000		34,000,000			
	Total Loans	52,700,000	2,000,000	42,500,000	1,200,000	0	7,000,000

Explanation of Cost Elements:

Section 209, HHCA Transactions - Equity payments of cancelled or surrendered homestead lease improvements. Includes the appraised value of the improvement less any indebtedness to the department and taxes owed by the previous lessee. The payments are advanced from the loan funds and repaid by the subsequent purchaser of the improvements.

Direct Loan Financing and Advances - Includes loan refinancing, replacement home loans, repair loans, new home construction, farm loans and loan insurance advances. HB 200, CD1 established by budget proviso a separate revolving loan fund for the NAHASDA direct loans for FY 2022 and FY 2023. The Legislature authorized \$7M annually for NAHASDA (federal fund) direct loans.

Real Property Tax Advances - Pursuant to section 208(7) of the HHCA, the department may advance payments on behalf of lessees to address real property tax delinquencies and have a lien placed as provided by section 216 of the Act.

Contingency - Guaranteed/Insured Loan Portfolio - A reserve set aside to address loans to lessees where the department guarantees or insures repayment to lenders in the event of loan default.

Loans Receivable/Interest Receivable Write-downs/Write-offs - of asset accounts due to decline in value of assets.

Loan Adjustment - Reimburse the HH Trust Fund for FHA 247 Insured Loan Reserve Account transactions that were deposited in the HH General Loan Fund.

Purpose 3: Rehabilitation Projects

Pursuant to Chapter 6.1 of Title 10 Hawaii Administrative Rules, DHHL prepares the Native Hawaiian Development Program Plan (NHDPP) every two years for HHC review and approval. The goal of the NHDPP is to "increase the self-sufficiency and self-determination of native Hawaiian individuals and native Hawaiian communities." This is accomplished through the NHDPP by "improve(ing) the general welfare and conditions of native Hawaiians through educational, economic, political, social, cultural, and other programs."

In this upcoming Fiscal Year, DHHL plans to implement the following components in the NHDPP:

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- a) Homesteading Opportunities Assistance Program (HOAP), including homebuyer education, lease cancellation, and foreclosure prevention services.
- b) Continue technical assistance for Planned Community Associations on the new Hawaii Administrative Rules.
- c) Continue to administer and provide technical assistance to the existing grantees.
- d) Provide new DHHL grants, including offering project implementation grants.
- e) Provide limited technical assistance for grant support for grantees.

The rehabilitation projects below are financed from the following means of financing (MOF) in FY 2023.

Rehabilitation Projects		
7110	Native Hawaiian Development Program and Plan	\$1,000,000
7110	Beneficiary Capacity Building and Technical Assistance	\$400,000
Total		\$1,400,000
MOF: Native Hawaiian Rehabilitation Fund		

7110	Native Hawaiian Development Program and Plan	\$7,500,000
MOF: Gen. Fund - One Time (HB 1600 CD1)		

The Commission's approval of above recommended motion is respectfully requested.

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**Department of Hawaiian Home Lands
Executive Budget for FY 2023**

Object Code		Administration and Operating Costs							NHRF	Rev. Bond Special Fund	NAHASDA	TOTAL BUDGET
		General Fund	Addl. Gen Fund for Homestead Community	Administration Account	Operating Fund		Operating Fund (Non App)					
					Operating Portion	Development Portion	Operating Portion	Development Portion				
2000	Personnel Costs	10,977,618	0	0	0	0	0	0	0	417,136	11,394,754	
2900	Other Personal Services	180,000	0	49,000	500,000	0	0	0	0	0	729,000	
3010	Operating Supplies - Gas & Oil Supplies	103,380	0	0	10,000	0	25,000	0	0	0	138,380	
3020	Operating Supplies - Fuel & Oil Other	2,950	0	0	4,500	0	25,000	0	0	0	32,450	
3030	Operating Supplies - Janitorial	10,380	0	0	6,048	0	500	0	0	0	16,928	
3040	Operating Supplies- Medical	0	0	0	0	0	15,000	0	0	0	15,000	
3090	Operating Supplies - Others	23,000	0	3,000	6,434	0	100,000	0	0	0	132,434	
3100	Maintenance Materials Supplies & Parts	6,600	0	0	0	0	800	0	0	0	7,400	
3200	Office Supplies	118,650	0	0	0	0	1,500	0	0	0	120,150	
3400	Other Supplies	22,366	0	0	0	0	1,000	0	0	0	23,366	
3500	Dues and Subscriptions	12,762	0	2,000	0	0	4,000	0	0	0	18,762	
3600	Freight and Delivery Charges	4,770	0	0	600	0	4,000	0	0	0	9,370	
3700	Postage	215,990	0	0	550	0	0	0	0	0	216,540	
3800	Telephone	199,720	0	0	600	0	0	0	0	0	200,320	
3900	Printing and Binding	174,950	0	0	0	0	0	0	0	0	174,950	
4000	Advertising	62,700	0	0	500	0	0	0	0	0	63,200	
4100	Car Mileage	9,800	0	10,700	0	0	0	0	0	0	20,500	
4200	Transportation, Intrastate	290,200	0	72,000	0	0	7,000	0	0	0	369,200	
4300	Subsistence Allowance, Intra-State	72,970	0	113,500	0	0	4,000	0	0	0	190,470	
4400	Transportation, Out of State	27,250	0	30,000	0	0	0	0	0	0	57,250	
4500	Subsistence Allowance, Out of State	28,500	0	27,000	0	0	0	0	0	0	55,500	
4600	Hire of Passenger Cars	31,100	0	45,600	0	0	3,000	0	0	0	79,700	
5000	Electricity	189,054	375,000	951,946	78,100	0	458,100	0	0	0	2,052,200	
5100	Gas	500	0	0	0	0	200,000	0	0	0	200,500	
5200	Water	129,700	0	241,000	24800	0	0	0	0	0	395,500	
5200	Water - Subdivisions	0	0	100,000	0	0	0	0	0	0	100,000	
5300	Sewer	0	0	0	0	0	0	0	0	0	0	
5400	Other Utilities	0	0	0	0	0	0	0	0	0	0	
5500	Rental of Land and Bldg.	0	0	0	0	0	0	0	0	0	0	
5600	Rental of Equipment	93,150	0	4,000	500	0	1,000	0	0	0	98,650	
5700	Other Rentals	1,773,500	0	0	0	0	0	0	0	0	1,773,500	
5810	Repairs- Data Processing	14,000	0	0	0	0	0	0	0	0	14,000	
5815	Maintenance - Data Processing	161,362	0	0	94,900	0	84,738	0	0	0	341,000	
5820	Repairs- Equipment, Building, etc.	107,410	0	0	12,500	0	15,000	0	0	0	134,910	
5825	Maintenance- Equipment, Building, etc.	359,100	0	70,000	70,777	0	23,745	0	0	0	523,622	
5830	Repairs- Motor Vehicles	44,000	0	0	3,000	0	10,000	0	0	0	57,000	
5835	Maintenance- Motor Vehicles	30,250	0	0	5,000	0	5,000	0	0	0	40,250	
5840	Maintenance-Unencumbered Lands & Othr	0	0	509,400	120,225	0	250,000	0	0	0	879,625	
5855	Maintenance-Subdivisions	0	2,125,000	0	0	0	650,000	0	0	0	2,775,000	
5895	Maintenance-Other Miscellaneous	56,284	0	0	0	0	5,000	0	0	0	61,284	
5900	Insurance	25,000	0	0	0	0	0	0	0	0	25,000	
6120	Interest Payment--RGOB	0	0	0	0	0	0	0	0	0	0	
6500	Other Grants in Aid	0	0	0	0	0	0	0	0	0	0	
7110	Services Fee Basis	59,000	7,500,000	1,893,197	2,545,000	0	5,125,940	0	1,400,000	0	18,523,137	
7230	Training Costs	144,500	0	25,000	2,000	0	7,000	0	0	0	178,500	
7290	Other Current Expenditures	32,750	0	20,000	2,000	0	2,700	0	0	0	57,958,841	
6500	Grant-in-Aid for Kaala Farms	0	0	0	0	0	0	0	0	0	0	

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**Department of Hawaiian Home Lands
Executive Budget for FY 2023**

		Administration and Operating Costs							NHRF	Rev. Bond Special Fund	NAHASDA	TOTAL BUDGET
Object Code	General Fund	Addl. Gen Fund for Homestead Community	Administration Account	Operating Fund		Operating Fund (Non App)						
				Operating Portion	Development Portion	Operating Portion	Development Portion					
7700	Machinery and Equipment	0	0	271,366	27,500	0	45,000	0	0	0	0	343,866
7700	Motor Vehicle	0	0	340,000	225,000	0	0	0	0	0	0	565,000
7700	Furniture for New Employees	0	0	46,000	0	0	0	0	0	0	0	46,000
7900	Construction in Progress	0	0	0	0	0	0	0	0	0	0	0
8020	Principal Payment--RGOB	0	0	0	0	0	0	0	0	0	0	0
6120/8020	Debt Service: Revenue Bond Payment	0	0	0	0	0	0	0	0	3,200,000	0	3,200,000
8200	Loans Receivable	0	0	0	0	0	0	0	0	0	0	0
Total - Current Expenditure & Equipment Total		4,817,598	10,000,000	4,824,709	3,740,534	0	7,074,023	0	1,400,000	3,200,000	57,901,391	92,958,255
		15,795,216	10,000,000	4,824,709	3,740,534	0	7,074,023	0	1,400,000	3,200,000	58,318,527	104,353,009
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A--Personnel Cost		10,977,618	0	0	0	0	0	0	0	0	417,136	11,394,754
B --Current Expenditure		4,817,598	10,000,000	4,213,343	3,488,034	0	7,029,023	0	1,400,000	3,200,000	57,901,391	92,049,389
C --Equipment		0	0	271,366	27,500	0	45,000	0	0	0	0	343,866
M--Motor Vehicle		0	0	340,000	225,000	0	0	0	0	0	0	565,000
Total		15,795,216	10,000,000	4,824,709	3,740,534	0	7,074,023	0	1,400,000	3,200,000	58,318,527	104,353,009
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HB1600 CD1		15,795,216	10,000,000	4,824,709	3,740,534						58,318,527	

Department of Hawaiian Home Lands									
Development Budget (FY 2023)									
(000's omitted)									
Project / Description	Phase	New Lots	Carryover from FY 22		FY 23 New Funds		FY23 Budget (.000 omitted)		
			HHL Trust	Leg Appns	HHL Trust	Leg Appns	HHL Trust	Leg Appns	Total
PART A: Lot Development Projects (Addressing the homestead waiting list)									
OAHU									
East Kapolei II-B Na Kupa'a Loan Payoff			2,300				2,300	-	2,300
East Kapolei II-A TOD and Telecom	DA					5,000	-	5,000	5,000
Ewa Beach (former NOAA site)	P	600				5,000	-	5,000	5,000
Land Acquisition, Oahu	L					1,000	-	1,000	1,000
MAUI									
Keokea-Waiohuli, Phase 2B	C	61				32,200	-	32,200	32,200
Keokea-Waiohuli, Phase 3	D	76			1,000		1,000	-	1,000
Maui Development Fees (water, sewer, etc)					250		250	-	250
Lei Ali'i Phase 1B	D	75	500				500	-	500
Lei Ali'i Highway and Access Improvements	D			9,000			-	9,000	9,000
Honokowai Subs Ag Ph 1	D	50				1,000	-	1,000	1,000
Pulehunui Development	D					3,000	-	3,000	3,000
Pu'unani Development (\$4 million = AHC)	C	161	4,000				4,000	-	4,000
Kahikinui Roadways	C		1,000		500		1,500	-	1,500
LANAI									
Lanai Residence Lots, Offsite Infrastructure	D		750				750	-	750
MOLOKAI									
Kalamaula Ag Lots (Acceleration)	D	45				1,000	-	1,000	1,000
Hoolehua Agricultural Lots- Naiwa Ag Subd	C	58				1,550	-	1,550	1,550
Hoolehua-Pala'au Scattered	C					1,250	-	1,250	1,250
BIG ISLAND									
HCC Home Project	C				325		325	-	325
Kaumana Subdivision Rehabilitation	C			285			-	285	285
Ka'u Water System Improvements, Phs 2	D				825		825	-	825
Ka'u Agricultural Lots (Pu'ueo)	D	25				3,000	-	3,000	3,000
Lalamilo Housing Phase 2A, Increment 1	C		950		50		1,000	-	1,000
STATEWIDE PROJECTS									
Scattered Lots program (Statewide)			632		2,000		2,632	-	2,632
Acquisition Due Diligence			1,000				1,000	-	1,000
VOKA Payment					60		60	-	60
Federal Funds Reimbursements/Adjustments			1,000				1,000	-	1,000
Dispute Resolution			1				1	-	1
PART A SUBTOTAL		1,151	12,133	9,285	5,010	54,000	17,143	63,285	80,428

Department of Hawaiian Home Lands									
Development Budget (FY 2023)									
(000's omitted)									
Project / Description	Phase	New Lots	Carrvoer from FY 22		FY 23 New Funds		FY23 Budget (.000 omitted)		
			HHL Trust	Leg Appns	HHL Trust	Leg Appns	HHL Trust	Leg Appns	Total
PART B: Repair, Maintenance, and Operating Costs (Promoting thriving, healthy communities)									
OAHU									
Papakolea Sewer Remediation					5,000		5,000	-	5,000
Papakolea Infrastructure Remediation						815	-	815	815
Nānākuli Sewer Improvements					1,000		1,000	-	1,000
Waianae Sewer Improvements						5,000	-	5,000	5,000
Waimanalo Flood Control Channel Improvements						1,285	-	1,285	1,285
Waimānalo Sewer Improvements					500		500	-	500
BIG ISLAND									
Honokaia Non-potable Water System			1				1	-	1
Keaukaha Sewer Improvements Master Plan					500		500	-	500
Maku'u Site Remediation			200				200	-	200
K'au Water System						2,900	-	2,900	2,900
Lalamilo Ph 1, Kawaihae Road Channelization			50		50		100	-	100
Lalamilo Ph 1, Infrastructure Improvements			430				430	-	430
La'i 'Ōpua Brush Clearing & Maintenance					800		800	-	800
KAUAI									
Anahola Dam and Reservoir Add'l Improvements			441		559		1,000	-	1,000
STATEWIDE PROJECTS									
Engineering Services for Various Locations					1,000		1,000	-	1,000
R/M of Improvements on HHL, Statewide					1		1	-	1
R/M of Utilities in Existing Subdivisions					1		1	-	1
Environmental Mitigation/Remediation					1,000		1,000	-	1,000
PART B SUBTOTAL			1,122	-	10,411	10,000	11,533	10,000	21,533
BUDGET SUBTOTAL BY SOF									
			13,255	9,285	15,421	64,000	28,676	73,285	101,961