JOBIE M. K. MASAGATANI CHAIRMAN DESIGNATE HAWAIIAN HOMES COMMISSION

STATE OF HAWAI'I DEPARTMENT OF HAWAIIAN HOME LANDS

P. O. BOX 1879 Honolulu, Hawaiʻi 96805

TESTIMONY OF JOBIE M. K. MASAGATANI, CHAIRMAN DESIGNATE HAWAIIAN HOMES COMMISSION BEFORE THE HOUSE COMMITTEE ON OCEAN, MARINE RESOURCES & HAWAIIAN AFFAIRS IN SUPPORT OF

HB 175, RELATING TO THE DEPARTMENT OF HAWAIIAN HOME LANDS

January 30, 2013

Chair Hanohano, Vice-Chair Cullen and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) supports this legislation that would supplement our department's budget by \$10 million for the development of agricultural and residential lots.

We support the intent of this legislation because it provides resources for the public land trust statutory purpose of the development of farm and home ownership on a widespread basis. In addition, it also supports the betterment of the conditions of native Hawaiians. These funds will be a consistent and reliable source of funding to help support and sustain our programs and to continue to develop homestead opportunities for the more than 26,000 applicants holding 42,000 applications for a homestead lease.

However, while we support the intent of the bill, we will defer on the fiscal implications until the Executive Biennium Budget is finalized.

Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE GOVERNOR STATE OF HAWAI'I

GLENN M. OKIMOTO DIRECTOR

Deputy Directors JADE T. BUTAY FORD N. FUCHIGAMI RANDY GRUNE JADINE URASAKI

IN REPLY REFER TO:



STATE OF HAWAII DEPARTMENT OF TRANSPORTATION 869 PUNCHBOWL STREET HONOLULU, HAWAII 96813-5097

January 30, 2013

H.B. 175 RELATING TO THE DEPARTMENT OF HAWAIIAN HOME LANDS

House Committee on Marine Resources and Hawaiian Affairs

The Department of Transportation (DOT) has strong **reservations** regarding this bill and its financial implications for the Harbors Division.

Presently, Act 178, SLH 2006 serves as the means for satisfying the State's obligation to provide the Office of Hawaiian Affairs (OHA) with a portion of the income and proceeds from the public land trust. Act 178 requires that in total, \$15.1 million be transferred annually to OHA. Governor's Executive Order No. 06-06 directed affected agencies to set aside 20% of public land trust receipts for quarterly transfer to OHA. In Fiscal Year 2012, the Harbors Division transferred \$9.2 million to OHA.

This bill will require that affected agencies collectively transfer an additional \$10.0 million annually to the Department of Hawaiian Home Lands (DHHL). The bill does not clarify how this additional amount will be allocated among the affected agencies. Assuming that the \$9.2 million transferred to OHA in FY 2012 was about 61% of the \$15.1 million required by Act 178, it is possible that DHHL or other parties will assume that the Harbors Division will be tasked to pay an additional obligation of \$6.1 million or 61% of the \$10.0 million annually.

The commercial harbors system operates as a financial enterprise and is required to generate revenues through user fees. As an issuer of Harbor System Revenue Bonds to finance its capital improvements program, the division must meet certain rate covenant tests as provided in its bond certificate each year and it undergoes annual credit reviews by the three predominant rating agencies, Moody's Investors Service, Standard & Poors, and Fitch Ratings. The imposition of an additional \$6.1 million in expenses will reduce net revenues and lower our rate covenant results, which most likely will negatively impact the credit rating of Harbor System Revenue Bonds. Further, as additional bond sales are needed to finance the New Day Work Projects, the interest rates for those additional bonds will most likely be higher, thus placing our ability to issue additional debt in question.

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We respect the legislature's role in setting public policies and defer to this body's important policy decision on the appropriate distribution of revenues derived from the public land trust. We believe, however, that it is important for the Legislature to consider the fiscal impacts before further mandating additional entitlements to revenues from the public land trust which are held in trust for all Hawaii residents. Dedicating an additional portion of revenues to DHHL, despite its merits, will reduce revenues to the division and have financial consequences which may negatively impact our ability to maintain and operate the commercial harbors system as well as to meet our obligations to holders of outstanding Harbor System Revenue Bonds.

Thank you for the opportunity to provide testimony.





HB175 RELATING TO THE DEPARTMENT OF HAWAIIAN HOME LANDS

House Committee on Ocean, Marine Resources, & Hawaiian Affairs

January 30, 2013	10:00 a.m.	Room 325
January JU, 2013	10.00 a.m.	KUUHI JZJ

The administration of the Office of Hawaiian Affairs (OHA) will recommend that the Board of Trustees <u>COMMENT</u> on HB175, which would direct the Department of Hawaiian Home Lands (DHHL) to expend \$10,000,000 from the public land trust for farm and home ownership purposes and direct certain state departments to transfer to DHHL an aggregate amount of \$2,500,000 at the end of each fiscal quarter, provided the transfer is not prohibited by law.

OHA strongly supports DHHL and its mission and recognizes that DHHL's historical lack of funding has hindered its ability to provide timely and adequate housing options to Native Hawaiians. To this end, OHA has entered into a commitment to make \$3 million per year available to DHHL for a period of 30 years and has provided funding for many DHHL projects over the years. OHA applauds the legislature's efforts to find creative ways to fund DHHL and its important mission to provide homes and farmland to the indigenous people of these islands.

We are concerned, however, that the language of the bill is ambiguous and could lead to the same kind of confusion that has occurred in the past regarding OHA's pro rata share of the public land trust. In 1990, the legislature defined revenue similarly to the definition of revenue in the present bill. Despite the definition (which was later invalidated by the Hawai'i Supreme Court), OHA's pro rata portion has been the subject of decades of litigation. Similar issues could be raised with repect to the method to determine the "funds derived from the public land trust" to which DHHL would be entitled to \$10,000,000.

Finally, we ask that the following provision be added to Section 1:

Nothing in this section shall diminish the revenues owed to the office of Hawaiian affairs pursuant to Act 178, session laws of Hawaii 2006, or any other law providing for the office of Hawaiian affairs' pro rata portion of the public land trust, pursuant to article XII, section 6, of Hawaii's constitution.

Mahalo for the opportunity to testify on this important measure.



Association of Hawaiian Civic Clubs

P. O. Box 1135

Honolulu, Hawai`i 96807

Testimony of President Soulee Stroud

HOUSE COMMITTEE ON OCEAN, MARINE RESOURCES AND HAWAIIAN AFFAIRS

HOUSE BILL 175 RELATING TO THE DEPARTMENT OF HAWAIIAN HOME LANDS

Wednesday; Jan. 30, 2013; 10:00am; Room 325

Aloha Madam Chair Hanohano, Vice chair Cullen and members of the committee. I am Soulee Stroud, president of the Association of Hawaiian Civic Clubs here to testify in support of HB175 Relating to the Department of Hawaiian Home Lands.

The Association of Hawaiian Civic Clubs (AHCC) is currently comprised of sixty nine component member clubs in Hawaii and fifteen states on the continent. The first civic club was organized in 1918 by Prince Kuhio and a group of prominent Hawaiian men when Kuhio was a Delegate to the US Congress. Kuhio recognized the need for Native Hawaiians to become more involved in the passage of the Hawaiian Homes Act then before the Congress, and to further become engaged in the intricacies of federal and local government.

For almost a century the Hawaiian civic club movement has expanded and never deviated from its course to be involved in those issues of importance to Native Hawaiians. Each year there is a convention that brings delegates together to discuss and consider issues that have been submitted by clubs via written resolutions. If adopted by the body, AHCC resolutions that require follow up are subsequently acted upon.

At our October, 2012 convention the delegates considered Resolution 12-07, URGING THE GOVERNOR AND THE STATE LEGISLATURE TO APPROPRIATE SUFFICIENT SUMS TO THE DEPARTMENT OF HAWAIIAN HOME LANDS. These sums should be made available for home, agriculture, farm and ranch lot development and loans; rehabilitation projects and administration and operation of the department. Further, these sums for Hawaiian Home Lands should cause no harm to provisions made to the Office of Hawaiian Affairs whose constitutional and statutory mandate is much broader serving a much larger population of beneficiaries.

Thank you for the opportunity to testify.

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