

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 2513, H.D. 2, S.D. 1

April 8, 2022
1:00 p.m.
Room 211 and Videoconference

RELATING TO THE RENTAL HOUSING REVOLVING FUND

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 2513, H.D. 2, S.D. 1, appropriates \$150,000,000 of general funds for FY 23 to be deposited into the Hawai'i Housing Finance and Development Corporation's (HHFDC) Rental Housing Revolving Fund (RHRF) to be used to provide loans or grants to mixed-income rental projects or units for persons and families with incomes between 61% and 100% of the median family income; appropriates out of the RHRF \$150,000,000 for FY 23; and enables HHFDC to use any unused funds as of June 30, 2023, for other authorized rental housing projects.

B&F defers to HHFDC regarding the implementation and administration of the proposed general fund infusion but has concerns with the lapsing language in the bill. Section 3 of H.B. No. 2513, H.D. 2, S.D. 1, provides that all moneys from the appropriation that are unencumbered as of June 30, 2024, shall lapse on that date. B&F is unclear as to the effectiveness of this lapsing provision since the measure deposits the entire appropriation into the RHRF, thereby expending the entire balance of this specific appropriation and combining the funds from this appropriation with the

existing balance of RHRF monies from other sources. As a revolving fund, funds already deposited into the RHRF do not lapse to the credit of the originating appropriation source but, rather, carry forward into subsequent fiscal years for HHFDC to expend for authorized uses of the fund.

Finally, B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.