



The Senate

STATE CAPITOL
HONOLULU, HAWAII 96813

February 16, 2024

MEMORANDUM

TO: Ways and Means Committee Members

FROM: Senator Donovan M. Dela Cruz, Chair
Senate Committee on Ways and Means

Senator Sharon Y. Moriwaki, Vice Chair
Senate Committee on Ways and Means

RE: Ways and Means Informational Briefing on Maui Wildfires, February 20, 2024

Along with Senator Hashimoto, we have been meeting with State and the County of Maui departments and working to gain a better understanding of what the State's current expenditures, encumbrances, and future obligations are to the recovery and rebuilding of Lahaina after the devastating August 2023 wildfires. To this end, we have been working with the State departments to better understand the State's fiscal position, the impending "cliffs" of Federal support, and what the State's on-going and yet to be determined obligations are once the FEMA mission ends. These "soft numbers" must be firmed up if we are to pass a balanced and fiscally responsible budget while avoiding extreme reductions to existing programs and depleting special funds.

\$1 Million a Day, \$30 Million a Month

FEMA is scheduled to complete its mission in February 2025. Well before that time, (unless FEMA extends its assistance) we will need to have Lahaina households who have lost their homes due to the fire in short-term, long-term housing or the State rental assistance program. If that does not occur, the State will be covering all the costs of sheltering. This would be in addition to the State covering the costs for noneligible FEMA households, which is costing the state \$1,000 a day per household. With roughly 1,000 households that the State is currently responsible for, this equates to \$1,000,000 a day. Investments in short and long-term infrastructure are needed to house our residents or continue to pay \$1,000,000 or more per day for non-congregate shelters. We are aware that the State has sent a letter asking for safe harbor to be extended until February 2024. Extending safe harbor allows survivors to be treated with equity and inclusion. The granting of this extension would reduce the State's shelter liability.

The FEMA direct lease program or State rental assistance program are more cost-efficient options for our displaced households. It is our understanding that with the State rental assistance

program, the average rate is currently around \$150 a day, resulting in savings to the State of \$850 every day.

State vs County Responsibilities

It remains unclear who is taking the lead in developing housing. Initially, it seemed that the County of Maui would plan and develop short and long-term housing options for displaced residents. Unfortunately, we are unsure if the County of Maui's housing efforts will have enough inventory available before FEMA is scheduled to leave in February 2025. To meet this deadline, we must look at housing options available across all of Maui to house Lahaina residents until they can rebuild their homes. Should housing options not be in West Maui, we will also have to ensure that people housed outside of West Maui have support services to continue their daily activities such as transportation services to school and work.

To avoid having the State be responsible for all sheltering costs when FEMA leaves, and because the development of short and long-term housing is not underway, the State may need to take a more active role in the development of housing.

The State's Financial Plan is Unclear Due to Undetermined Costs

The State financial plan, as set by the Governor, allocated \$600 million across the next four fiscal years. However, in discussion with HiEMA, the Department of Defense, and the Department of Budget and Finance, the State is currently looking at expenditures and liabilities of over \$600 million in just fiscal year 2024. There may still be additional expenses that the State must pay upfront that are still being calculated.

The State's financial commitment to the Lahaina recovery has been substantial in both direct services, support, and upfront FEMA reimbursable costs. However, as the appropriating body, we are constitutionally bound to ensure that we pass out a fiscally sound budget for the biennium. Understanding the State's fiscal commitments is critical to ensuring that the State provides both for the people of Maui and retains core services and operations statewide in areas like public education, healthcare, and protecting our natural resources.

Discrepancies in FEMA Eligibility

The estimated number of FEMA eligible individuals are different between the FEMA, State and County of Maui. HiEMA is working to appeal households that FEMA has deemed ineligible to reduce the cost-share to the State. The numbers we base our decisions on must be accurate and consistent. We must clear up this uncertainty and ensure that households take advantage of all available FEMA resources to maximize benefits before transferring to the State's books. If we do not maximize our FEMA resources, we risk further State liabilities in sheltering and on-going

services. We understand that questions have been raised between FEMA, the American Red Cross, and the State as to accurate data. We encourage the State to ensure the fidelity of its data to defend the position for who is eligible and ineligible to ensure that our residents receive the maximum support allowed.

The State Must Impose Spending Guardrails

In addition to the lack of clarity in what the State cost-share will be for sheltering programs, it is unclear what State departments have already spent to provide services to wildfire victims. Furthermore, it is unclear which of these incurred expenses are FEMA reimbursable. To address these uncertainties, the Department of Budget and Finance published an executive memorandum, dated February 8, 2024, which requires approval by the Governor for FEMA ineligible expenditures.

Currently, we have identified the following areas that we need to determine what costs and what potential cost-shares are for FEMA, the State, or the County of Maui. We must inquire who is responsible for and what the timelines are for the items below at the informational briefing scheduled for Tuesday, February 20th:

1. Sheltering costs for FEMA eligible and ineligible participants
2. Rental assistance payments and lease
3. Short-term housing option
4. Long-term housing options
5. County of Maui infrastructure needs and timelines
6. FEMA mission end dates
7. Other direct services and supports

I look forward to a productive and informative discussion with our State, County of Maui, and Federal partners at the informational briefing on Tuesday.

Cc: Senate President Ronald D. Kouchi
All other Senators