

ACT 17

H.B. NO. 875

A Bill for an Act Relating to the Department of Land and Natural Resources: Making a Supplementary Appropriation Out of General Revenues to Cover Certain Deficiencies for the Fiscal Year Ending June 30, 1989.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. This Act is recommended by the governor for immediate passage in accordance with Section 9 of Article VII of the Constitution of the State of Hawaii.

SECTION 2. The Molokai irrigation project, currently managed by the department of land and natural resources, was constructed in the early 1960's under a federal loan obtained through the provisions of the Small Reclamation Projects Act (P.L. 84-984) administered by the United States Bureau of Reclamation. The original loan amount of \$4,513,727 has been reduced by installment payments to \$2,933,922, as of June 17, 1988.

As a means to raise revenues to comply with the fiscal year 1988 federal budget and to reduce future administrative costs of the loan program, Congress enacted the Budget Reconciliation Act of 1987 which authorized the Bureau of Reclamation, under Section 5301, to undertake a loan portfolio sales program. Through this program the Bureau extended an attractive discount prepayment offer to loan borrowers, which included the Hawaii department of land and natural resources. In the case of the Molokai irrigation project loan, the offer translated into a repurchase of the current loan balance of \$2,933,922 for a reduced sum of \$1,199,194.

Under the advice of the department of budget and finance and the consent of the governor, the department of land and natural resources accepted the federal prepayment offer and subsequently remitted the full repurchase amount of \$1,199,194. The department remittance included \$390,721 of fiscal year 1988 and 1989 loan repayments already budgeted for; the balance of \$808,473 consisted of departmental

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extractions which if not restored will severely constrain the implementation of several ongoing programs previously approved by the legislature for fiscal year 1988-1989.

The prepayment action taken by the department of land and natural resources resulted in a substantial savings to the State of Hawaii. As of July 1988, the federal loan portfolio sales program resulted in letters of intent from borrowers of loans representing 99.5 per cent of the \$566,000,000 in outstanding loan obligations.

To prevent the reduction of vital services deriving from the impacted departmental program, it is urgent that restorative appropriations be made by the legislature. The governor and director of finance concur that a deficiency exists and recommend this bill for immediate passage.

SECTION 3. In addition to the appropriations made for the same program by any other act, the following sums, or so much thereof as may be necessary, are hereby appropriated from the state general fund to the department of land and natural resources for fiscal year 1988-1989 for the following programs:

LNR 141	\$199,473
LNR 404	\$470,000
LNR 906	\$139,000

SECTION 4. Any unexpended and unencumbered balance of the appropriations made by this Act as of the close of business on June 30, 1989, shall lapse into the general fund of the State.

SECTION 5. This Act shall take effect upon its approval.

(Approved April 17, 1989.)