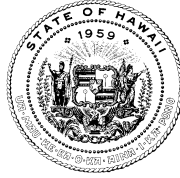


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DEPUTY TO THE CHAIR  
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**STATE OF HAWAII  
DEPARTMENT OF HAWAIIAN HOME LANDS**

*Ka 'Oihana 'Āina Ho'opulapula Hawai'i*

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Testimony of Kali Watson, Chairperson,  
Hawaiian Homes Commission

Before the Committee on Finance  
on the  
2025-27 Biennium Budget Request of the  
Department of Hawaiian Home Lands

January 16, 2025

Chair Yamashita, Vice Chair Takenouchi and Members of the Committee on Finance, thank you for this opportunity to provide information on the Department of Hawaiian Home Lands (DHHL) Biennium Budget request for Fiscal Year 2025 -2027 Operating and Capital Improvement Program Budgets.

**OVERVIEW**

**HAWAIIAN HOMES COMMISSION ACT OF 1920**

The Department of Hawaiian Home Lands is governed by the Hawaiian Homes Commission Act of 1920, enacted by the U.S. Congress to protect and improve the lives of native Hawaiians. The act created a Hawaiian Homes Commission to administer certain public lands, called Hawaiian home lands, for homesteads. Native Hawaiians are defined as individuals having at least 50 percent Hawaiian blood.

The Act was incorporated as a provision in the State Constitution in 1959 when Hawai'i was granted statehood. Responsibility for the Commission and the Hawaiian home lands was transferred to the State at that time. Except for provisions that increase benefits to lessees or relate to administration of the Act, the law can be amended only with the consent of Congress.

The primary responsibilities of the Department of Hawaiian Home Lands are to serve its beneficiaries and to manage its extensive land trust. The land trust consists of over 200,000 acres on the islands of Hawai'i, Maui, Moloka'i, Lāna'i, O'ahu, and Kaua'i.

DHHL provides direct benefits to native Hawaiians in many ways. Beneficiaries may receive 99-year homestead leases at \$1 per year for residential, agricultural, or pastoral purposes. These leases may be extended for an aggregate term not to exceed 199 years. Beneficiaries may

receive financial assistance through direct loans, insured loans, or loan guarantees for home purchase, construction, home replacement, or repair.

In addition to administering the homesteading program, DHHL leases trust lands that are not in homestead use at market value and issues general leases, revocable permits, licenses, and rights-of-entry. The income from these enterprises is used to supplement DHHL's programs, including continued homestead development.

#### **DHHL MISSION STATEMENT**

The mission of the department is to manage the Hawaiian Home Lands Trust effectively and to develop and deliver Hawaiian hold lands to native Hawaiians. We will partner with others toward developing self-sufficient and healthy communities.

#### **DEPARTMENTAL GOALS:**

To effectively manage the Hawaiian Home Lands Trust lands, water, and related resources; to develop and deliver lands for award to beneficiaries on an on-going basis; to develop and deliver program services that meet the housing needs of native Hawaiians; to effectively manage Hawaiian Home Lands Trust financial resources; to effectively manage the department's human resources and to establish better relationships with the native Hawaiian community, governmental agencies, homestead communities, and the community at large.

#### **STRATEGIC OBJECTIVES:**

##### **ASSERT**

###### *Reaffirm & Assert Trust Status*

1. Objective 1: Determine & commit to meeting the Trust Kuleana
2. Objective 2: Protect the Trust
3. Objective 3: Advance the Hawaiian Homes Commission Act

The mission of the Hawaiian Home Lands Trust is implemented by a state department, the Department of Hawaiian Home Lands. The Hawaiian Homes Commission Act provides clear roles and responsibilities to implement the act, while our state administrative rules provide for implementation. The difference and the roles of each kuleana must be articulated.

##### **PROTECT**

###### *Ensuring the Financial Well-Being of the Trust*

1. Objective 1: Improve Efficiency and Effectiveness of Internal Operations.
2. Objective 2: Create Synergistic Partnerships and Alliances
3. Objective 3: Diversify And Increase Revenue Streams

The trust has a finite amount of land and resources. Not only is the trust expected to provide "new" homesteads for 47,283 waitlist applications (which represents 29,542 individual applicants), it must continue to serve the existing 10,000 plus lessees by way of repair and maintenance of utilities, traffic, roads, water, wastewater, health and safety requirements. The trust must also use its lands to generate revenue to financially support the trust's work of

serving beneficiaries. Current economic times must be considered in the development of new strategies that produce optimal performance of the trust. Developing partnerships and alliances that provide mutual benefit will enhance the opportunities for success. The trust must also consider alternative revenue streams that will help to meet the ever-growing waitlist.

## **SERVE**

### *Provide Excellent Customer Service*

1. Objective 1: Increase Communication and Access to Information
2. Objective 2: Develop Transparent Policies, Procedures and Practice
3. Objective 3: Provide Professional Development Opportunities and Support for All Staff Members.

Through the objectives above, the trust will focus on laying the foundation for consistency, providing communication, and creating methods for beneficiaries, staff and the broader public to access information. Further, the goals will provide for staff professional development support which leads to strong customer service and high performance while incorporating our Hawaiian values and understandings.

## **DELIVER**

### *Deliver Diverse Homesteading Opportunities*

1. Objective 1: Expand The Variety of Residential Homesteading Opportunities
2. Objective 2: Implement Agricultural Homesteading Opportunities
3. Objective 3: Implement Pastoral Homesteading Opportunities
4. Objective 4: Seek Alternative Financing for Homesteading Opportunities

The trust has mainly focused on single-family homes over its lifetime. Driven by the economic times and the needs of beneficiaries and applicants, the trust must seek to expand the breadth and depth of its homesteading opportunities overall. The trust has over 40,000 applications for families waiting for a homestead lease. Expanding residential homesteading opportunities into areas such as multi-family homes, rental and transitional units will provide relief to applicants who continue to wait for a home to meet their needs. At the same time, the trust will strive to continue to develop residential, agricultural, and pastoral homesteading opportunities to fit today's family. Considerations will be given to higher density cluster-lots, community use lots and rural homesteading. To support these objectives, the department must step out of the box to create alternative financing models to service these beneficiaries.

Today, the department is responsible for the management of 203,500 acres of trust lands, 10,055 homestead leases statewide, and 47,283 lease applications<sup>1</sup>. A breakdown of leases and applications by island and type of lease can be found in Exhibit 1 and 2.

### Exhibit 1: Leases by island and type of lease

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<sup>1</sup> Lease and application count as of 11/30/2024. Note: Applicants may have 2 applications.

<b>Island</b>	<b>Agricultural</b>	<b>Pastoral</b>	<b>Residential</b>	<b>Total</b>
<b>Hawai'i</b>	518	310	1,713	2,541
<b>Kauai</b>	46	1	716	763
<b>Lanai</b>	0	0	45	45
<b>Maui</b>	64	100	1,261	1,425
<b>Molokai</b>	418	27	393	838
<b>Oahu</b>	60	0	4,383	4,443
	1,106	438	8,511	10,055

Exhibit 2: Application by island and type of lease

<b>Island</b>	<b>Agricultural</b>	<b>Pastoral</b>	<b>Residential</b>	<b>Total</b>
<b>Hawai'i</b>	7,407	2,029	6,052	15,488
<b>Kauai</b>	2,325	340	1,743	4,408
<b>Lanai</b>	0	0	70	70
<b>Maui</b>	4,839	626	3,988	9,453
<b>Molokai</b>	1,142	202	823	2,167
<b>Oahu</b>	4,208	0	11,489	15,697
	19,921	3,197	24,165	47,283

As required by the Admissions Act and as a compact with the United States, the State of Hawaii and the people of Hawaii adopted the Hawaiian Homes Commission Act as a provision of the State Constitution and agreed to faithfully carry out the spirit of the Hawaiian Homes Commission Act for the rehabilitation of the Hawaiian race. These trust responsibilities still remain.

Although DHHL's mission "to develop and deliver land to native Hawaiians" is well-known, the lesser-known charge "to manage the Hawaiian Home Lands trust effectively" is equally important. Increasingly, this responsibility is demanding a greater share of DHHL's financial and staff resources to address.

In terms of land holdings, Exhibit 3 identifies the land use designation utilized by DHHL. Of the total inventory, approximately five percent (5%) are designated for residential use (including existing residential homesteads), while nearly two thirds of DHHL's land inventory (63.36 percent or 129,304 acres) are lands designated as General Agriculture or Conservation/Special District<sup>2</sup>. Most of these lands will remain in DHHL's inventory over the next 20 years with DHHL facing land management issues for this acreage, similar to DLNR and other large private land owners (i.e., trespassing, dumping, fire prevention, etc.).

Exhibit 3: DHHL Lands by Land Use Designation Statewide

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<sup>2</sup> The General Agriculture designation identifies lands that are unlikely to be developed within the next twenty years given its remote location or high costs needed to bring in infrastructure to prepare the lands for homesteading.



Designation	Acreage (rounded)	% of total	
Undesignated	3003	1.45%	
Residential	10,383	5.01%	
Subsistence Ag	6,471	3.12%	
Supplemental Ag	10,129	4.89%	
Pastoral	43,032	20.76%	
Community Use	1,974	0.95%	
Commercial	1,384	0.67%	
Industrial	1,690	0.82%	
General Agriculture	64,698	31.21%	62.36% for a
Special District	33,994	16.37%	total of
Conservation	30,612	14.77%	129,304
<b>Total Acreage</b>	<b>207,320</b>	<b>100.00%</b>	

Finding creative ways to manage this trust resource with beneficiary engagement and participation, while honoring DHHL's fiduciary responsibilities to act prudently and not place the interests of one beneficiary group above another, is the challenge ahead.

The department administers two (2) programs, HHL 602, Planning and Development for Hawaiian Homesteads and HHL 625, Administration and Operating Support. The objectives of the programs are to develop and manage the designated Hawaiian Home Lands to create more homesteads for native Hawaiians (as defined by the Hawaiian Homes Commission Act) and generate revenues to address program needs.

#### **MEASURING PROGRESS**

The Department uses various metrics to determine our effectiveness and progress; our primary goal, however, is to award leases.

The Department is grateful for the support that the Legislature has provided over the years. In legislative session 2022, the Legislature passed Act 279. The Act, also known as the Waitlist Reduction Act, provided \$600M in general funds for the Department to reduce the waiting list for Hawaiian homes. Attachment 1 is a project status report for Act 279. By the end of FY24, we have successfully encumbered nearly 80% of the allocated \$600M. We remain on track to fully encumber the entire amount by the close of FY26, in alignment with the provisions of Act 125, SLH 2024.

Act 279 funding was clearly a monumental and historic step in the right direction in addressing the reduction of DHHL's waitlists. However, more funding is desperately needed to reduce the 29,000 wait list even further. As shown on Attachment 1, only so many units can be built within three years. We've broken down larger projects into phases and will need funding for the next phases. Per Act 279 authorization, better lands have been acquired and need to be developed. Realistically, several billion dollars are needed to truly eliminate the waiting lists. While we don't expect this entire amount this session, in Attachment 1, we do show you specific projects

and the funding required to complete these projects. With this additional funding we can continue to meet the State's ongoing commitment to our DHHL beneficiaries to place more native Hawaiians on the land. Your continued support is greatly appreciated.

## **IMPACT OF CURRENT ECONOMIC AND FISCAL CONDITIONS**

### **CHALLENGES**

There are several challenges DHHL faces with respect to meeting the mission of homesteading. These include, but are not limited to, the following:

1. **DHHL CAN ONLY DEVELOP WHERE IT HAS LANDS**

Most of DHHL's land is located on the neighbor islands in rural or more remote locations. The greatest demand (longest waiting list) is for residential property on Oahu (11,489).<sup>3</sup> Yet, DHHL has the least amount of land holdings on Oahu (only 3.3% of total lands).

2. **RELIABLE FUNDING**

The cost for infrastructure (roads, water, sewer, drainage, electrical, etc.) to prepare DHHL lands for homesteading is high. The lengthy development process requires environmental compliance, planning, design, and construction phases. To keep a steady production of lots requires a reliable stream of funding to keep lots in every phase of development. This reliable funding also gives families waiting for an award of a lot (both applicant families on the waiting list or Undivided Interest lessees) some certainty to plan and prepare financially to take a lot.

3. **COMPETING NEEDS**

In addition to developing new homesteads, DHHL also has other critical, albeit lesser-known responsibilities. Like a county, DHHL maintains and repairs existing infrastructure (e.g., clearing of flood channels and drainage, fire protection of non-homestead areas, roads and facilities maintenance, sewer emergencies and repairs, etc.). In certain counties, the county has either not accepted portions of newer infrastructure or has stopped performing needed repair. One example is sewer systems. Act 227, SLH 2014, clarified and confirmed that operating and maintenance of sewer systems is a county function. However, DHHL continues to maintain the sewer systems on Hawaiian home lands, primarily in the City and County of Honolulu in the interim until Act 227 can be fully implemented in subdivisions completed after the mid-1990's. This will be an ongoing concern.

In addition to County-like responsibilities, DHHL also performs water utility functions. DHHL owns and operates three regulated public water systems: Hoolehua, Molokai; Anahola, Kauai; and Kawaihae, Hawaii.<sup>4</sup> Together, the systems have a total of 826-meter connections serving approximately 2,500 individuals (not including the schools and

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<sup>3</sup> As of November 30, 2024.

airport that are supported by the Hoolehua system). DHHL also owns and operates a non-potable water system for stock purposes in Puukapu. This non-potable water system is managed and operated by DHHL, not the county.

If DHHL trust resources are spent to address these critical functions for existing homesteads and lessees, it will not have the resources needed to maintain its homestead lot development production goals and meet the needs of beneficiaries on the waiting list.

4. INCREASING COST OF GOODS AND SERVICES

Developers and Builders are currently facing an expensive market. DHHL has observed large increase in construction bids over and above construction cost estimates. Increases in consultant and construction management fees, labor rates along with increases to materials and freight costs, have contributed to increased construction bids.

Further, government review and processing times have contributed to project delays beyond the control of DHHL. DHHL expects more of the same as our CIP funding stretches thinner. DHHL development budget estimates are in constant flux.

5. CAPITAL FOR MORTGAGE FINANCING

DHHL continues to address the challenging issue of providing capital for mortgages to families that reside on trust lands and providing support to families facing mortgage loan delinquencies. In fiscal year 2024, DHHL managed a total of 4,639 outstanding loans, processed 88 Federal Housing Administration insured loans and 18 Section 184A Native Hawaiian Housing Loan Guarantees (loans guaranteed by the U. S. Department of Housing and Urban Development's (HUD) Office of Native Hawaiian Programs), 23 Veteran Affairs and 3 U.S. Department of Agriculture Rural Development loans and addressed in excess of 834 delinquent mortgage loans. Each of these loans represents an opportunity for a native Hawaiian to return to trust lands or to remain on these lands.

As DHHL expands the number of vacant lots it awards, the need for financing options for non-traditional housing product increases.

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<sup>4</sup> DHHL also owns and operates a fourth non-potable system that feeds its pastoral homestead lots in Puukapu, Hawaii.

### **EFFORTS TO SUPPORT PROGRESS**

1. **FOCUS ON SUBSISTENCE AGRICULTURAL LOTS.**

For Maui, Hawaii, Kauai, and Molokai, the waiting lists for an agricultural lot is longer than a residential lot. Given this strong apparent demand for agricultural lots and DHHL's extensive agricultural land inventory on the neighbor islands, DHHL has gone through beneficiary consultation with our beneficiaries and conducted public hearings with the community to amend our rules to include a new type of award of leasehold. The Subsistence Ag award will allow the department to award a lease up to three acres in size, with limited subdivision improvements to address those on the Agricultural Waiting List.

Ag lot leases do not require extensive infrastructure improvements like a residential lease award. With lower infrastructure requirements, the department will be able to award more lots at less cost. Projects have commenced on Hawaii Island, Kauai, Molokai, Maui, and Oahu to provide Subsistence Ag lots.

2. **HALE PROGRAM**

In FY 2021, DHHL revamped its HALE program with expanded financial support services. Initially established by the Department in 2012, the HALE program aids lessees and applicants with financial literacy education and support services. DHHL has expanded on HALE's foundational concepts to new services that include Financial Planning 101, Post-Home Maintenance, Medicare/Medicaid, the Affordable Care Act, Vacant Lot Construction, and Owner Builder Process. Previous services like Lease Cancellation Prevention and Homebuyer Education will continue.

3. **REPAIR AND MAINTENANCE**

DHHL's repair and maintenance program is divided into several components: sewer, drainage, water, and various subdivision improvements.

- a) **Sewer.** The legislature passed Act 227, SLH 2014 to allow the turning over of sewer infrastructure that is in DHHL subdivisions to the county after the systems are brought up to the approve standards. Sewer spills continue to occur and plague the homesteaders.

The department continues to work with the City and County of Honolulu to have systems that have met that standard to be turned over to the county for maintenance. Some of the CIP funding has been used to have engineers inspect the existing systems, locate sections that need replacement, repair or cleaning and determine what needs to be done to have the systems inspected and turned over to the City/County. In September 2020, DHHL has conveyed the sewer lines in Kaupuni Village, Oahu to the City and County of Honolulu in the first of what will be several line transfers stemming from the implementation of Act 227, SLH 2014. We request

continued funding to allow the design and construction of the needed improvements.

Major renovation of aged sewer collector systems in Papakolea are on-going. To date, approximately \$ 15 million has been expended to remediate sewers and related groundwork, including stabilization of slopes containing sewer lines. Additional phases of major sewer collector renovations are designed. DHHL projects the need for an appropriation of \$50 million to bring the project into full compliance. DHHL supports the efforts of the City and County of Honolulu to upgrade downstream sewer pipelines to accommodate sewage flows from the Papakolea, Anianiku and Kewalo area.

Act 125, SLH 2017 mandates homes with existing cesspools to upgrade and convert to approved septic systems, or connect to a sanitary sewer system by 2050. Based on Department of Health and City and/or County data, there are approximately 2,500 existing cesspools on Hawaiian home lands' properties throughout the state. DHHL has caused literature search of records and plans and physical ground truthing surveys to determine the accuracy of the cesspool count and to begin to develop and assess cesspool conversion and remediation alternatives. It is well documented

that many homestead communities are aged and likely will not be able to bear the cost of cesspool conversion to septic systems. In various homestead locations where gravity sewer connection is not feasible, the economic burden is placed on homesteaders to install individual low-pressure pumps to connect to existing gravity sewer lines. DHHL is financially strapped to construct necessary infrastructure improvements to connect collector lines and transmission mains to County sanitary sewer plants, assuming adequate plant capacity. DHHL is also financially strapped to construct and maintain private package sewer plants. Maintenance of private package plants will require either hiring more staff or outsourcing to sewer service providers. DHHL will also be responsible for the collection of sewer use fees. Most systems will have a small quantity of users in order to efficiently operate a package sewer plant.

- b) Drainage. Historically speaking, storm events have caused damage to drainage channels and flooding within homesteads. Expansions of homesteads have placed a burden on existing drainage facilities. Climate change and king tides are also impacting low lying homestead areas. Further, increased storm water and drainage detention standards and requirements have placed a strain on the maintenance of drainage ditches, channels, streams and detention basins. The department continues to work with various Counties and FEMA to address clean-up and pinpoint improvements that would prevent or reduce future flooding. CIP funding has been utilized to address the construction needed for repairs and improvements (such as the construction remediation of the first phase of the Anahola, Kauai Reservoirs in July 2020 and the construction commencement of the Nanakuli Flood Control Improvements in July 2020). Remediation of drainage improvements in Waimanalo,

estimated at \$3 million is scheduled for construction in 2022- 2023.

- c) Water. As stated above, DHHL also performs water utility functions. DHHL owns and operates three regulated potable public water systems: Hoolehua-Kalamaula, Molokai; Anahola, Kauai; and Kawaihae, Hawaii.<sup>5</sup> Together, the systems have a total of 826 water meter connections serving approximately 2,500 individuals (not including the schools and airport that are supported by the Hoolehua system). DHHL also owns and operates a non- potable water system in Puukapu. On Molokai, DHHL staff operate and maintain the public water system. On Hawaii Island at Kawaihae and on Kauai at Anahola, DHHL contracts with water operations and maintenance vendors to operate and maintain those public water systems.

In addition to DOH Safe Drinking Water Standards, recent promulgation of a DHHL Water Policy and Administrative Rules provide guidance for DHHL's operations and maintenance. Due to the relatively small size of the systems and the limited customer base, DHHL's operating expenses remain high, and all systems are heavily subsidized.

- d) Subdivision improvements. Until roadways are turned over to the Counties for maintenance, DHHL continues to be responsible for major pavement repairs, maintenance of street trees, sidewalks, street lighting, signage, and striping. Recently, various communities have requested traffic calming and speed abatement improvements, such as speed bumps, electronic signs, flashing beacons, and crosswalk improvements. Legislative appropriations have enhanced DHHL's implementation of traffic calming in several Oahu homestead areas, though demand for more improvements is increasing.
- e) Successful partnerships. Hawaii Community College has agreed to continue the successful partnership with the department by agreeing to a multi-year agreement to build one home a year in Keaukaha. As part of a multi-year partnership with Hawai'i Community College (HCC), in 2022, the 25th home was partially constructed by HCC students.

In addition, several of the homestead associations including Kapolei Community Development Corporation, Waiohuli Hawaiian Homestead Association, Laiopua 2020, Kailapa Hawaiian Homestead Association, Waimea Hawaiian Homestead Association, Nanakuli Hawaiian Homestead Association and others saw milestones accomplished with their community-based initiatives located on Hawaiian home lands.

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<sup>5</sup>DHHL also owns and operates a fourth non-potable system that feeds its pastoral homestead lots in Puukapu, Hawaii.

### **FEDERAL FUNDS**

The Department does not anticipate the loss of federal funds but will be monitoring any possible adverse impact with the change of administration at the national level. DHHL currently has two large sources of federal funding:

DHHL is the sole recipient of Native Hawaiian Housing Block Grant (NHHBG) funds, CFDA 14.873, as authorized by Title VIII of the Native American Housing Assistance and Self Determination Act (NAHASDA). These funds support eligible affordable housing activities for beneficiaries at or below the 80% area median income (AMI).

DHHL also received federal funding from the Tribal Broadband Connectivity Program (TBCP), CFDA 11.029, administered by the National Telecommunications and Information Administration of the U.S. Department of Commerce, as authorized by Section 905(a)(8)(III) of the Consolidated Appropriations Act of 2020 (CAA) and Section 602.11 of Investment, Infrastructure & Jobs Act (IIJA). These funds will be used to improve high-speed internet access for beneficiaries residing on Hawaiian home lands.

Related to TBCP, the Department's request includes a budgetary housekeeping measure for 3.00 federally funded FTE for DHHL's broadband initiative. The Department has adequate federal funding available for this request and is only asking for a ceiling increase in personnel counts and funds of \$393,600 for Fiscal Year 2026 and \$442,800 for Fiscal Year 2027.

### **NON-GENERAL FUNDS**

The Department's Special and Trust funds provide a significant amount of support for department operations, homestead R&M, new projects, and loan programs. Non-general fund reports are attached as Attachment 2. A link to these reports can be found on the DHHL website at: <https://dhhl.hawaii.gov/wp-content/uploads/2024/11/2024-HHL-Non-General-Fund-Report.pdf>

### **DHHL FB 2025-27 BIENNIUM BUDGET REQUEST**

#### **DHHL "SUFFICIENT SUMS" SUPPLEMENTAL BUDGET REQUEST**

Article XII, Section 1 of the State Constitution states "The legislature shall make sufficient sums available for the following purposes: (1) development of home, agriculture, farm and ranch lots; (2) home, agriculture, aquaculture, farm and ranch loans; (3) rehabilitation projects to include, but not limited to, educational, economic, political, social and cultural processes by which the general welfare and conditions of native Hawaiians are thereby improved; (4) the administration and operating budget of the department of Hawaiian home lands..."

In the Nelson vs. State of Hawai'i case, a non-jury trial was held on Plaintiff's claims that the State of Hawai'i violated its constitutional duty to provide sufficient sums to the DHHL for its administrative and operating budget (Count 1) and the DHHL, the Hawaiian Homes Commission (HHC) and its commissioners breached their trust duties by failing to seek from the legislature all the funding to which the department is constitutionally entitled (Count 2).

Although what amount is considered "sufficient" for DHHL's administrative and operating expenses is still under dispute as part of the Nelson case, what is clear is DHHL's obligation to request from the Governor and the Legislature the amounts it deems sufficient to meet the four purposes of the Hawaiian Homes Commission Act as outlined in the Hawaii State Constitution. On September 16, 2024, the HHC approved the department's FB 2025 - 27 biennium budget request at its regular meeting.

Below is a summary of the Department's request as approved by the HHC at its September 2024 meeting and submitted to the Governor, through Budget & Finance, in October 2024.

DHHL crafts its budget each year based upon the four purposes as described in Article XII, Section 1 of the constitution.

*Purpose 4: Operating Budget for DHHL's Administrative and Operating Expenses*

The proposed FB 2025-27 request for administrative and operating costs in general funds and general obligation bonds totals \$125,380,616 for Fiscal Year 2026 and \$101,914,616 for Fiscal Year 2027.

"Personal Services" category costs were based on 200.00 general funded FTE that have been appropriated for FY25 in Act 164 SLH 2023, as amended by Act 230, SLH 2024.

The Department is again requesting a restoration of funding for nineteen (19.00) unfunded FTE in the amount of \$1,200,162. The 19 unfunded positions are identified in Table 11.

DHHL's initial request approved by the Hawaiian Homes Commission also included 22.00 FTE and \$1,162,032 in funds for the Department's district offices (West Hawai'i, East Hawai'i, Kauai, Maui, Molokai, and Oahu), as shown in Attachment 7a. These positions are required to provide operational support and ensure that our unencumbered lands and homesteads are maintained and safely managed. DHHL will be adjusting its request to 16.00 FTE and \$806,000, as reflected in Attachment 7b, however, as it anticipates a Governor's message in the approximate amount of \$2 million for additional personnel funding starting in FY26. This amount would cover the 19 unfunded positions and 16 out of the 22 positions DHHL requested.

The annual personnel cost requests represent an aggregate of the annual base salaries. Fringe benefit costs are absorbed by a separate Department of Budget and Finance general fund appropriation.



In the proposed FB 2025-27 request, DHHL's Fiscal Year 2024 budget for the "Other current Expenses" category was used as a baseline and adjusted to exclude costs related to development of homestead lots, loans, and rehabilitation projects. Consequently, the base budget was adjusted for debt service costs, loans, and grants. Attachment 3 provides the details for the "Other Current Expenses" category approved by the Hawaiian Homes Commission at its September 2024 regular meeting, for Administrative and Operating Costs, with adjustments, to determine the "sufficient sums" amount.

DHHL's CIP general obligation bond request relating to repair and maintenance of infrastructure on Hawaiian home lands is made as a lump sum request totaling \$50,898,000 and \$32,971,000

for Fiscal Years 2026 and 2027, respectively. R&M for infrastructure projects have a long-standing history of operational, maintenance and repair issues that have become capital improvement issues.

Exhibit 4, below, summarizes DHHL's Article XII, Section 1, Purpose 4 budget request for Administrative & Operating Costs.

Exhibit 4: FB 2025-27 Budget Request (All Means of Financing) for Purpose 4

		FY 2026 Budget Request to HHC	MOF	FY 2027 Budget Request to HHC	MOF
<b>State Constitution, Article XII, Section 1, Purpose 4: Administrative and Operating Costs</b>					
	Personnel Costs	\$15,709,953*	A	\$15,709,953*	A
	Other Current Expenditures	\$43,174,663	A	\$43,174,663	A
	<b>Subtotal Administrative and Operating Costs</b>	<b>\$59,250,616</b>		<b>\$59,250,616</b>	
	Repair and Maintenance of Infrastructure	\$15,232,000	A	\$9,693,000	A
	Repair and Maintenance of Infrastructure	\$50,898,000	C	\$32,971,000	C
	<b>Subtotal R&amp;M of Infrastructure</b>	<b>\$66,130,000</b>		<b>\$42,664,000</b>	
	<b>Total Administrative and Operating Costs</b>	<b>\$125,380,616</b>		<b>\$101,914,616</b>	

<b><u>Means of Financing:</u></b>				
<b>General Fund</b>	<b>\$74,482,616</b>	<b>A</b>	<b>\$68,943,616</b>	<b>A</b>
<b>General Obligation Bonds</b>	<b>\$50,898,000</b>	<b>C</b>	<b>\$32,971,000</b>	<b>C</b>
<b>Total</b>	<b><u>\$125,380,616</u></b>		<b><u>\$101,914,616</u></b>	

Means of Financing: (A)= General Fund; (C) = General Obligation Bond

\*This number will not align with what was provided in DHHL's testimony to WAM-HWN Committee due to the adjustment from 22 to 16 new FTE request.

**Purpose 1, 2, 3: Lot Development, Loans and Rehabilitation Projects**

The biennium budget request for Purposes 1, 2, 3 of Article XII, Section I (Lot Development, Loans and Rehabilitation Projects) total for FY26 is \$587,234,096 and for FY27 is \$324,924,096. Details of the request are shown in Attachments 4 (Lot Development), 5 (Loans), and 6 (Rehabilitation Projects).

Exhibit 5, below, summarizes DHHL's Article XII, Section 1, Purposes 1, 2, and 3 budget request.

Exhibit 5: FY26 / FY27 Biennium Budget Request for Purposes 1, 2, 3

	<b>FY26</b>	<b>FY27</b>	<b>MOF</b>
Purpose 1: Lot Development	\$441,860,000	\$186,000,000	C
Purpose 2: Loans	\$73,100,000	\$73,100,000	C
Purpose 3: Rehabilitation Projects	\$56,890,000	\$50,900,000	C
Rehabilitation Projects	\$15,384,096	\$14,924,096	A
<b>Total</b>	<b>\$587,234,096</b>	<b>\$324,924,096</b>	<b>All MOF</b>

Means of Financing: (A)= General Fund; (C) = General Obligation Bond

**SUMMARY**

I want to express our thanks and gratitude for the opportunity to present the DHHL Biennium Budget request for FB 2025-27 Operating and Capital Improvement Program Budgets. Your support of our mission and needs are invaluable to us and our beneficiaries.

The DHHL, governed by the Hawaiian Homes Commission Act of 1920, plays a critical role in improving the lives of native Hawaiians. We are entrusted with managing the Hawaiian Home Lands Trust, which comprises over 200,000 acres of land across several islands. Our mission is to deliver land to native Hawaiians, create self-sufficient communities, and honor the legacy of Prince Jonah Kūhiō Kalaniana'ole.

We have outlined strategic objectives, including reaffirming and protecting our trust status, ensuring financial well-being, providing excellent customer service, and delivering diverse homesteading opportunities. These objectives reflect our commitment to serving our beneficiaries and the broader community.

We are immensely grateful for your continued support, particularly the passage of Act 279. This act provided \$600 million in general funds to address our waitlists and make progress toward fulfilling our mission. We are working diligently to encumber these funds and are optimistic about our progress.

However, our challenges remain significant, including the need for more funding to further reduce the waitlists, develop infrastructure, and address critical issues like sewer systems and drainage. The cost of goods and services continues to rise, making it essential for us to find innovative solutions to meet our beneficiaries' needs.

In our FB 2025-27 biennium budget request, we have outlined our funding needs for administrative and operating expenses, lot development, loans, and rehabilitation projects. These requests align with our constitutional mandate and our commitment to improving the lives of native Hawaiians.

As we move forward, we recognize the challenges ahead and the immense task of eliminating DHHL's waiting lists entirely. Realistically, we need several billion dollars to achieve this goal, and while we do not expect the full amount this session, we are ready to work with you to secure the necessary resources to continue serving our beneficiaries.

Your continued support is vital in helping us fulfill our mission and honor our trust responsibilities. Mahalo nui loa for your dedication and commitment to the betterment of native Hawaiians and the state of Hawai'i.