

Honolulu, Hawaii

March 23, 2006

RE: S.B. No. 3119  
S.D. 2  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committees on Hawaiian Affairs and Housing, to which was referred S.B. No. 3119, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO HAWAIIAN HOME LANDS,"

beg leave to report as follows:

The purpose of this bill is to provide the Hawaiian Homes Commission (HHC) with the necessary flexibility and authority to manage, invest, and reinvest funds to earn a higher return for moneys in the Hawaiian Home Lands Trust Fund (Trust Fund) by authorizing HHC to deposit moneys contained in the Trust Fund in depositories other than the state treasury. This measure also:

- (1) Establishes that the moneys deposited into depositories other than the state treasury be exempt from the requirements of Chapters 36 (management of state funds) and 38 (deposits of public funds), Hawaii Revised Statutes (HRS); and
- (2) Authorizes HHC to invest Trust Fund moneys and hold, purchase, sell, assign, transfer, or dispose of any securities and investments and any proceeds from investments in which trust fund moneys have been invested.



The Department of Hawaiian Home Lands (DHHL) testified in support of this bill with amendments. The Department of Budget and Finance opposed the measure in part and suggested amendments.

Your Committees note that while the separation of Trust Fund moneys from the state treasury may provide DHHL the opportunity to earn a higher rate of return from investments, DHHL's financial management capabilities should still be evaluated. As it has been four years since the Auditor last conducted a financial audit of DHHL, an updated financial audit should clear up any misconception of DHHL's money management skills. Accordingly, your Committees request that a financial audit of the moneys in the Trust Fund be conducted by the Auditor.

Your Committees also believe the insertion of a sunset provision would allow time for DHHL, the trust beneficiaries, and the Legislature to examine the results of the financial audit and determine whether the separation of Trust Fund moneys from the state treasury is in the best interests of DHHL and the trust beneficiaries. If the audit does not return with a clean bill of health, the provisions of this bill would then sunset.

Your Committees have amended this bill by:


- (1) Clarifying that the Trust Fund is not placed in the treasury of the State;
- (2) Removing the provision that moneys from the Trust Fund that are deposited into depositories other than the state treasury be exempted from the requirements of chapters 36 and 38, HRS;
- (3) Changing the effective date to July 1, 2050, and inserting a sunset provision of four years; and
- (4) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the records of votes of the members of your Committees on Hawaiian Affairs and Housing that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3119, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3119, S.D. 2, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committees on Hawaiian Affairs  
and Housing,

  
MICHAEL P. KAHIKINA, Chair

  
SCOTT K. SAIKI, Chair





