



**STATE OF HAWAII**  
DEPARTMENT OF HUMAN SERVICES  
HAWAII PUBLIC HOUSING AUTHORITY  
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Statement of  
**Chad K. Taniguchi**  
Hawaii Public Housing Authority  
Before the

**SENATE COMMITTEE ON WAYS & MEANS**

March 27, 2008, 9:30 a.m.  
Room 211, Hawaii State Capitol

In consideration of  
**H.B. 3140, SD1**  
**MAKING AN EMERGENCY APPROPRIATION TO THE HAWAII PUBLIC HOUSING  
AUTHORITY**

Dear Senator Baker and Members of the Committee:

HPHA strongly supports this emergency appropriation. HPHA recently received the financial statements to substantiate its request presently before the Legislature for an emergency appropriation for fiscal year 2007-2008. HPHA staff, the Department of Accounting and General Services (DAGS), and a private CPA firm hired by HPHA has completed the summary financial statements for fiscal year 2006-2007 and the first half of fiscal year 2007-2008. The lack of such information for 18 months severely impacted HPHA's ability to accurately present the details of its operating needs. Therefore, HPHA's Statement of Revenues and Expenditures (SRE) previously submitted to the Legislature reflected projections drawn from the narrow scope of information available at the time (audited FY 2006 data). With the inclusion of the audited financial data from FY 2006-2007 and the unaudited first half of FY 2007-2008, HPHA has concluded that funds are needed for the following items:

(1) FY 07 Repayment to the Department of Budget and Finance (B&F) for a loan made to address a) risk management costs billed by DAGS, and b) payroll shortfall	1,600,000.00
(2) FY 08 Single Family Housing program payroll shortfall (Personal Services)	1,080,000.00
(3) FY 08 Single Family Housing program insurance shortfall	17,607.00
(4) FY 08 Federal Low Rent program insurance shortfall	<u>370,348.00</u>
<b>Total emergency appropriation funds required</b>	<b><u><u>\$3,067,955.00</u></u></b>

Please note that HPHA's emergency appropriation request has decreased from \$10,000,000 to \$3,067,955. This is due to increases to rental income and the federal operating subsidy for the public housing programs, thus decreasing the programs' operating budget deficits.

**Listed below are the major line item adjustments made to previous submissions:**

(1) Rental Income: Projections from DAGS using information from the unaudited financial statements from the first six months of the current fiscal year show that HPHA will receive \$18,554,755 in rental income from the public housing programs. This is nearly \$2 million more than previously estimated. HPHA attributes the increase in rental income to HPHA's efforts to collect rent, reduce delinquencies, and enforce lease violations via the eviction process.

(2) Federal Operating Subsidy: The formula used by HUD to determine HPHA's operating subsidy for federal public housing projects was recently revised. Under this new formula, HPHA will receive \$16,003,836. In earlier projections HPHA used the funding formula from previous years which allocated substantially less to the Authority. For example, HUD allocated \$10,642,544 for FY 2007.

(3) Transfer from Federal Capital Funds. Although not a change from previous submissions, please note that HPHA is transferring \$3.0 million from its Federal Capital Funds (similar to state CIP) to its operating account. This is a transfer that cannot be made regularly, but HPHA believes it is necessary during this emergency time.

**Breakout of how funds to subsidize the Public Housing Programs' operating budget deficit will be used:**

(1) Payroll Shortfall (Personal Services): \$1,080,000 is needed for a payroll shortfall for the State Single Family Housing Program.

(2) State Single Family Housing Program Insurance: \$17,607 is needed for unbudgeted increases to State Single Family Housing program insurance costs for FY 08.

(3) Federal Low Rent Program Insurance: \$370,348 is needed for unbudgeted increases to Federal Low Rent program insurance costs for FY 08.

Total Public Housing Programs' Operating Budget Deficit = \$1,467,955

**HPHA's Future Fiscal Management:**

HPHA appreciates the work of the Legislature to analyze this emergency appropriation request. Please note that the federal government has recently taken steps to help HPHA overhaul its fiscal operations by providing federal moneys for the contract hiring of a fiscal advisor. Over the next year HPHA will be receiving assistance from this fiscal advisor and HUD to ensure that HPHA improves its fiscal management and does not become a troubled-status public housing authority.

Thank you for considering HPHA's budgetary needs.

Sincerely,  
Chad K. Taniguchi  
Executive Director