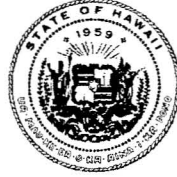


Linda Lingle  
GOVERNOR



KAREN SEDDON  
EXECUTIVE DIRECTOR

## STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the

### HOUSE COMMITTEE ON FINANCE

March 25, 2009 3:00 p.m.  
Room 308, State Capitol

In consideration of  
**S.B. 292, S.D. 1**  
**RELATING TO FUNDS.**

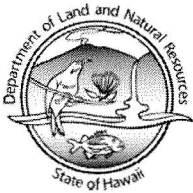
The Hawaii Housing Finance and Development Corporation (HHFDC) has strong concerns with sections 12 through 15 of S.B. 292, S.D. 1. These provisions transfer an unspecified amount from the Housing Finance Revolving Fund, the Rental Assistance Revolving Fund, the Rental Housing Trust Fund, and the Dwelling Unit Revolving Fund.

The transfer of amounts above what is truly excess from these funds would significantly impede the HHFDC's ability to promote affordable housing development at a time when such housing is sorely needed. Applications by affordable housing developers seeking financing commitments from the HHFDC's major special funds, especially the Rental Housing Trust Fund (RHTF) and Dwelling Unit Revolving Fund (DURF) exceed available funds. Our plans for new housing development rely on additional infusions into the RHTF and DURF. We would like to point out that the Executive Biennium Budget includes a request for infusion of \$50 million into the RHTF (\$25 million in each biennium year) and \$50 million into the DURF (\$25 million in each biennium year). H.B. 200, H.D. 1 provides for smaller CIP appropriations to the RHTF and DURF of \$15 million and \$10 million, respectively, in each biennium year.

We recognize the need to address the budget shortfall and would be happy to work with the Committee to identify "excess" funds. For example, additional funding in the American Recovery and Reinvestment Act for U.S. Department of Agriculture-Rural Development 502 Direct Loans could replace \$200,000 in funding from the Kikala-Keokea Housing Revolving Fund which was established to provide low-cost housing construction loans for Kikala-Keokea lessees.

Thank you for the opportunity to testify.

LINDA LINGLE  
GOVERNOR OF HAWAII



STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

LAURA H. THIELEN  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI  
FIRST DEPUTY

KEN C. KAWAHARA  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

**Transmittal Cover Sheet for**  
**Department of Land and Natural Resources Testimony**

**Date Submitted: March 24, 2009**

**Testifier's Name/Position/Title:** Juliet Kazanjian, Fiscal Division Administrator

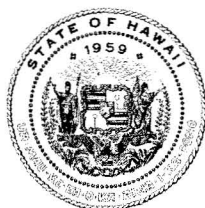
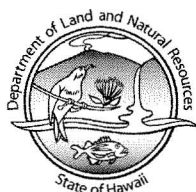
**Committee the comments are directed to:** HOUSE COMMITTEE ON FINANCE (FIN)

**The Date & Time of Hearing:** Wednesday, March 25, 2009  
3:00 PM, Conference, Room 308

**Measure Number:** SB 292 SD 1 RELATING TO FUNDS

**Number of Copies the Committee is Requesting:** In paper, 2 copies (including original) to  
Room 306 in the State Capitol

LINDA LINGLE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
LAURA H. THIELEN  
Chairperson**

**Before the House Committee on  
FINANCE**

**Wednesday, March 25, 2009  
3:00 PM  
State Capitol, Conference Room 308**

**In consideration of  
SENATE BILL 292, SENATE DRAFT 1  
RELATING TO FUNDS**

The purpose of Senate Bill 292, Senate Draft 1 is to lapse excess balances from special and revolving funds to the General Fund. The Department of Land and Natural Resources (Department) opposes the transfer of special funds of the Department identified in this measure for the following reasons:

**SECTION 31. Special Land and Development Fund**

The Special Land and Development Fund (SLDF) is used to pay payroll, fringes and operating expenses for the Land Division, as well as supporting other divisions and programs of the Department. SLDF is the first fund that is looked to by the Department when any emergency occurs. For example, to address the flooding emergencies during the months of February, March and April 2006, over \$180,000 was expended from SLDF to provide for air travel and expenses for staff, dam safety inspections, equipment rental, personal safety equipment, material purchases, tree removals, rockfall mitigation, stream debris removal, and hiring of contractors/consultants. The Department plays a vital and major role as a first responder to many situations during emergencies statewide. State and federal emergency funding is usually not available for considerable periods of time subsequent to such emergencies and immediate response is almost always required to protect public safety and property. Such urgent and immediate action by the Department is made possible only by the availability of funds from SLDF to pay for those resources without needing to wait for reimbursements from other sources. Therefore, it is imperative that SLDF have an adequate cash balance not only to cover usual payroll, operations and programs of the Department, but also to address emergency situations that are unforeseen. The Department believes an inadequate balance in the fund jeopardizes the

**LAURA H. THIELEN**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**RUSSELL Y. TSUJI**  
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AQUATIC RESOURCES  
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KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

publics' health, safety and welfare by placing everyone at risk due to a lack of immediately available resources. The current available balance must be maintained to sustain the viability of the Department's core functions.

Please also note that the Department is proposing to transfer \$2.9 million into the Recreational Renaissance Special Fund proposed in House Bill 980, House Draft 1 (RELATING TO RECREATIONAL RENAISSANCE) to support the Recreational Renaissance initiative.

### **SECTION 32. Natural Area Reserve Fund:**

The Department will be greatly constrained in accomplishing its public safety mandates to monitor and manage the approximate 800,000 acres of lands in the Natural Area Reserves System (NARS), forest reserves, plant and wildlife sanctuaries and to maintain basic operations and service to the public at branch offices without these operational funds. This would put lives in danger, and exposes the State to liability, particularly regarding fire and search and rescue responses. If any funds are transferred, the Department will likely lose skilled highly trained staff, which will take years to replace; see recent gains in invasive species control and eradication reversed; new invasive species will likely be established; and some threatened and endangered species now reliant on management and preservation efforts will likely be lost - once gone, they are gone forever. The Department will not be able to meet Natural Area Partnership Program and Forest Stewardship contract obligations with private landowners and lose those long-term conservation benefits. With the loss of funding, the Department will also not be able to make state match and lose federal funding for many conservation projects. Defaulting on federal grant agreements will jeopardize the Department's credibility and ability to secure federal funding in the future.

Vital conservation programs supported by the Natural Area Reserve Fund include: the Watershed Partnerships Program; NARS management; Natural Area Partnership Program; Youth Conservation Corps and internship programs; personnel; central services fees; Forest Stewardship Program; Forest Reserve System watershed management; Conservation Reserve Enhancement Program; Invasive species program operations; Threatened & Endangered species management; and the Hawaii Invasive Species Council Programs.

### **SECTION 33. Land Conservation Fund**

The fund supports annual acquisitions and the staff necessary to complete current and prior years acquisitions, support the Legacy Land Conservation Commission and the legislative consultation process, and carryout administrative duties including development of statewide acquisition plans, and writing rules and procedures as required by statute.

Awards for Fiscal Year 2009 have currently gone through the reviews/approvals of the Legacy Land Conservation Commission, the Senate President and Speaker of the House of Representatives, and the Board of Land and Natural Resources. The signature of the Governor is pending and will make the awards final, pursuant to Chapter 173A, Hawaii Revised Statutes.

Funding for Fiscal Year (FY) 2010 and FY2011 is projected to be \$2.4 million for the Land Conservation Fund, a 50% decline in funding from prior years, and will provide for maintaining the core elements of the program plus about \$2 million for continuing acquisitions. Although reduced from current year levels, this amount could provide for a continued innovative program of conservation land acquisition which is popular with the public and an investment in the future. This program is currently under funded and also brings in approximately 2-3 federal and county match dollars per state dollar spent. Transfer of funds will result in the loss of federal matching funds and the inability to respond to opportunities to protect Hawaii's valuable and unique land areas from development and destruction

#### **SECTION 35. Beach Restoration Fund**

Transfer of funds will negatively impact the current CIP request for the Waikiki Beach Improvements, or any other beach restoration project in the State. Projects would have to be severely restructured and reduced in scope.



*The Judiciary, State of Hawaii*

**Testimony to the Twenty-Fifth Legislature, Regular Session of 2009**

House Committee on Finance

The Honorable Marcus R. Oshiro, Chair

The Honorable Marilyn B. Lee, Vice Chair

Wednesday, March 25, 2009, 3:00 p.m.

State Capitol, Conference Room 308

by

Thomas R. Keller

Administrative Director of the Courts

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AMENDED TESTIMONY

**Bill No. and Title:** Senate Bill No. 292, S. D. 1, Relating to Funds.

**Purpose:** This bill lapses excess balances from special and revolving funds to the general fund.

**Judiciary's Position:**

The Judiciary understands the serious nature of the State's economic situation and the resulting budgetary constraints that the Legislature must take to address this fiscal crisis. However, the Judiciary strongly opposes Sections 28 and 29 of Senate Bill No. 292, S. D. 1, which would transfer monies in excess of the requirements of the Judiciary's Driver Education and Training Fund and the Judiciary Computer System Special Fund to the general fund. The impact of these transfers will affect the Driver Education and Training Program (DETP) and the Judiciary Information Management System Program (JIMS), programs that provide critically important services to the public.

For both programs, it is critically important that there is a sufficient cash balance to cover the ongoing operating expenses and to remain solvent. Collections are not always received or deposited in a regular manner and any delay in depositing of collections can affect the program's cash flow and result in running the risk of depleting the program's monies.

Computer System Special Fund (CSSF)



Senate Bill No. 292, S. D. 1, Relating to Funds  
House Committee on Finance  
Wednesday, March 25, 2009  
Page 2

The CSSF is established pursuant to HRS § 601-3.7 and serves to fund JIMS as well as other technology projects for traffic, criminal, civil and appellate case processing operations and maintenance. The CSSF allows for necessary technology projects for new Judiciary facilities on Oahu and Hawaii Island as well.

The budgetary constraints make it imperative that technology projects enabled by the CSSF proceed as planned. Many of these projects allow the Judiciary to continue to serve the public with the highest level of service possible, despite a decreased staff due to hiring freezes, to improve and make more efficient Judiciary operations by automating certain functions, and to decrease Judiciary reliance on outdated and expensive technologies. These projects include JIMS automated collections for delinquent traffic judgments; electronic bench warrants, a project with Hawaii Information Consortium and law enforcement; electronic citations, a project with the Honolulu Police Department; sharing of criminal arrest data through the Horizontal Integration Pilot, a project with the Hawaii Criminal Justice Data Center of the Attorney General's Office; an improved fiscal accounting system and others. These projects allow the Judiciary to participate at a higher level with other criminal justice agencies throughout the state.

It is very important that the CSSF has a sufficient cash balance to meet the Judiciary's obligations. Due to the timing of deposits into the fund, transferring money from the CSSF could cause the cash balance to run so low that the Judiciary could not meet its obligations -- this could bring the JIMS project to a halt. This would unlikely be a temporary slowdown, as non-civil service individuals and contractors with developed expertise would have to find work elsewhere. Finding others with like skills and expertise when funds become available could add months and years to the project. While other departments may use 25% of expenditures as their cash balance guideline, the magnitude of JIMS' operational activities and the nature of a large technical project like JIMS requires a higher cash balance. It should also be noted that the estimates for FY2009 and beyond were based on FY2008 costs and by 2012 could be significantly higher due to unanticipated cost increases.

#### Driver Education and Training Fund

Driver education assessments collected pursuant to Chapter 286G-2 are deposited into the Driver Education and Training Fund and provide the resources for the DETP administered statewide by the Judiciary. These include counseling and education programs for traffic law violators that are referred by the courts, as well as classes for DUI, zero tolerance, child passenger safety restraint, and defensive driving offenders. Assistance is also provided for traffic offenses where substance or alcohol abuse is involved.



Senate Bill No. 292, S. D. 1, Relating to Funds  
House Committee on Finance  
Wednesday, March 25, 2009  
Page 3

The DETP is especially wary of these kinds of transfers out of its special fund because, in the past, it has led to a period of insolvency and a subsequent reduction in force of 18 staff positions. To conserve cash resources, the DETP now operates at the minimum level and has been prudent in its spending to ensure the availability of adequate cash reserves. Another factor that needs to be considered is that revenue collected from underwriters fees (between \$700,000 and \$800,000) is deposited into this special fund account only once a year which means that significant cash reserves must be kept in the Driver Education Training Fund to cover expenditures until the deposit is made. (Other special funds have multiple, regular, periodic revenue deposits over the course of a year.)

Based on the information we have provided, we would like to express our opposition to lapsing excess balances from the Judiciary's CSSF and the DETF.

Thank you for the opportunity to provide comments on this measure.





**TESTIMONY OF THE STATE ATTORNEY GENERAL  
TWENTY-FIFTH LEGISLATURE, 2009**

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ON THE FOLLOWING MEASURE:

S.B. NO. 292, S.D. 1, RELATING TO FUNDS.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Wednesday, March 25, 2009 TIME: 3:00 PM

LOCATION: State Capitol, Room 308

TESTIFIER(S): Mark J. Bennett, Attorney General,  
or Randall S. Nishiyama, Deputy Attorney General

---

Chair Oshiro and Members of the Committee:

This bill proposes to transfer an unspecified amount of moneys from various non-general funds to the general fund for fiscal year 2009-2010.

The Department of the Attorney General offers our comments on the Legislature's ability to transfer non-general funds to the general fund given the decision of the Hawaii Supreme Court in Hawaii Insurers Council v. Lingle, \_\_ Hawai'i \_\_, \_\_ P.3d \_\_, 2008 WL 5255926 (Hawai'i) (hereafter "Hawaii Insurers Council"). In addition, we do not oppose section 8 of this bill, which proposes to transfer an unspecified amount of money from the Medicaid Investigations Recovery Fund to the general fund for fiscal year 2009-2010, provided that the transfer amount does not exceed \$1,500,000. Further, we do not object to section 9 of this bill, which proposes to transfer an unspecified amount of money from the State Identification Revolving Fund to the general fund for fiscal year 2009-2010, provided that the transfer amount does not exceed \$600,000.

Legislature's Ability to Transfer Non-General Funds to the General Fund  
Under the Hawaii Insurers Counsel Case

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Under the Hawaii Insurers Council case, special fund moneys derived from regulatory fees that are imposed by an administrative agency pursuant to authority delegated to the agency by the Legislature cannot be transferred to the general fund. The Hawaii Supreme Court determined that this type of transfer violated the separation of powers doctrine because administrative fees and assessments imposed by an administrative agency can only be used for the purpose of providing services to the persons or entities paying such fees. Any other use of the fees would constitute a tax, which can only be imposed by the Legislature.

The source of the money comprising the special fund is important, as it may be determinative as to whether the source of the money is a regulatory fee, a tax, or from a different source. The first prong of the regulatory fee test used by the Hawaii Supreme Court in the Hawaii Insurers Council case is whether the regulatory agency assessed the fee via an administrative rule. If so, the charge is more likely to be regulatory fee than if the money was assessed via a legislative statute. If the fee is statutorily set by the Legislature, the charge is more likely to be a tax. Generally, the Hawaii Insurers Council case does not prohibit the transfer of moneys that are derived from fees set by statute.

Likewise, the purpose of the transfer is important. The third prong of the foregoing regulatory fee test is whether the moneys are used for a public purpose or to defray regulatory expenses. If used for the former, the moneys are more likely to be taxes than if used for the latter.

Consequently, distinguishing a regulatory fee from a tax requires a careful analysis of the facts and circumstances of the situation.

We have done a preliminary review regarding the ability of the Legislature to transfer moneys from the non-general funds listed in this bill to the general fund.

We have determined that the Wireless Enhanced 911 Fund (section 7) and the Deposit Beverage Container Special Fund (section 18) have

moneys which may be transferred to the general fund under the Hawaii Insurers Council case. We believe the Legislature should determine the amount of moneys in excess of the non-general fund's requirements to be deposited into the general fund and amend the authorized purposes section of the non-general fund's statutes to remove the restrictions on the use of the non-general fund's moneys.

While further study is needed, our preliminary review indicates that the following non-general funds may be transferred to the general fund under the Hawaii Insurers Council case:

Section 2	Agricultural Loan Revolving Fund
Section 6	Stadium Special Fund
Section 8	Medicaid Investigations Recovery Fund
Section 9	State Identification Revolving Fund
Section 11	Hawaii Community Development Revolving Fund
Section 12	Housing Finance Revolving Fund
Section 15	Dwelling Unit Revolving Fund
Section 17	Housing for Elders Revolving Fund
Section 19	Hawaii Tobacco Settlement Special Fund
Section 24	Vital Statistics Improvement Special Fund
Section 28	Driver Education and Training Fund
Section 29	Judiciary Computer System Special Fund
Section 30	Preservation of Endangered Plants Fund (this appears to be the Forest Stewardship Fund)
Section 36	University Revenue-Undertakings Fund
Section 38	University of Hawaii Tuition and Fees Special Fund
Section 39	University of Hawaii Housing Assistance Revolving Fund
Section 40	System Information Technology and Services Special Fund
Section 41	Research and Training Revolving Fund

Our review has also indicated that the transfer of moneys from the following non-general funds to the general fund may result in adverse tax consequences because general obligation bond funds may have been

used to fund these funds. Consequently, bond counsel should be consulted.

Section 5 Works of Art Special Fund  
Section 13 Rental Assistance Revolving Fund  
Section 33 Land Conservation Fund

Particular care should be taken in considering any transfers from the Compliance Resolution Fund (section 16) given that a transfer from that fund was the basis for the Hawaii Insurers Council case.

As for the other non-general funds listed in this bill, the discrete components of each fund would have to be analyzed to determine whether moneys derived from such components may be transferred to the general fund.

We would be happy to work with the Committee to resolve this matter.

#### Section 8 Medicaid Investigations Recovery Fund

We do not object to section 8 of this bill, which proposes to transfer an unspecified amount of money from the Medicaid Investigations Recovery Fund to the general fund for fiscal year 2009-2010, provided that the transfer amount does not exceed \$1,500,000.

As we explained to the Senate Committee on Ways and Means when that committee asked for our input on this matter, we believe that a transfer of more than \$1,500,000 would have adverse consequences on the operations of the Medicaid Investigations Division (MID). The Medicaid Investigations Recovery Fund has allowed MID to operate in a self-sufficient manner without using any general funds to pursue and prosecute Medicaid fraud cases. We note that the federal government has changed the allocation of moneys that the State would be receiving for the Medicaid Investigations Revolving Fund, which may cause the State to receive lower revenues in the future, thus adversely impacting our ability to operate effectively. We respectfully request that any

transfer out of the Medicaid Investigations Recovery Fund be limited to not more than \$1,500,000.

Section 9 State Identification Revolving Fund

We do not object to section 9 of this bill, which proposes to transfer an unspecified amount of money from the State Identification Revolving Fund to the general fund for fiscal year 2009-2010, provided that the transfer amount does not exceed \$600,000.

As we explained to the Senate Committee on Ways and Means when that committee asked for our input on this matter, we believe that a transfer of more than \$600,000 would have adverse consequences on the operations of the State ID program. The federal government is imposing increasingly stringent requirements regarding the authentication and issuance of identity documents. These requirements are placing fiscal stress on our identification program. We respectfully request that any transfer out of the State Identification Revolving Fund be limited to not more than \$600,000.

In summary, we respectfully request that:

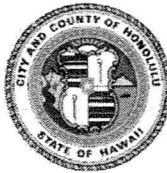
1. Not more than \$1,500,000 be transferred from the Medicaid Investigations Recovery Fund to the general fund for fiscal year 2009-2010; and

2. Not more than \$600,000 be transferred from the State Identification Revolving Fund to the general fund for fiscal year 2009-2010.

DEPARTMENT OF INFORMATION TECHNOLOGY  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 5TH FLOOR  
HONOLULU, HAWAII 96813  
Phone: (808) 768-7684 □ Fax: (808) 527-6272 □ Internet: www.honolulu.gov

MUFI HANNEMANN  
MAYOR



GORDON J. BRUCE  
DIRECTOR & CIO

March 24, 2009

The Honorable Marcus R. Oshiro, Chair  
and Members of the Committee on Finance  
State House of Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

**Subject: Senate Bill 292, SD1, Relating to Funds**

I am Gordon J. Bruce, Director of the Department of Information Technology and Chief Information Officer for the City and County of Honolulu. In an interest of full disclosure, I also want to point out that I represent the City and County of Honolulu on the Wireless Enhanced 911 Board, but I am NOT speaking for the Board with this testimony.

The Department of Information Technology, who supports the technical aspects of the 911 system for the City and County of Honolulu, strongly opposes Senate Bill No. 292, which seeks to take money collected for the purpose of 9-1-1 to assist with the state deficit.

Any funds that are collected from fees imposed on consumer bills for the purposes of funding enhanced 9-1-1 services should go only for the purposes for which the funds are collected.

The Federal ENHANCE 9-1-1 Act of 2004 addressed the problem of dedicated state 9-1-1 funds being diverted by individual states for other purposes. It indicates that States that divert collected 9-1-1 funds, which are collected from consumers on their monthly phone bills for the purpose of supporting 9-1-1 service, will not be eligible for federal grant programs. The Economic Stimulus package has great opportunities for telecommunication grant applications. Any action to raid this fund can potentially damage our state's ability to be eligible for telecommunications funds, if funds are diverted in any way. The lack of receipt for economic stimulus funds could also jeopardize the states ability to react to proposed legislation in support of the Hawaii State Broadband task force.

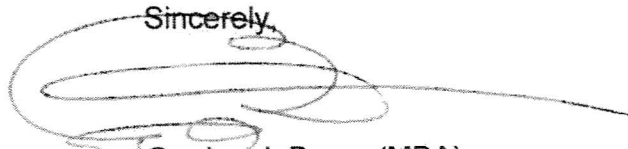
The Honorable Marcus R. Oshiro, Chair  
and Members of the Committee on Finance  
SB292, SD1, Relating to Funds  
March 24, 2009  
Page 2

The cost of upgrading and maintaining enhanced wireless service and the upcoming Next Generation 9-1-1 is expensive. The money that has been collected is necessary to continue the changes needed to provide public safety service to the community. Enhanced 9-1-1 services are an essential aspect of our state's homeland security, transportation safety, disaster response and health care delivery system.

Legislators will not only put themselves in the position of jeopardizing the safety of the public, but to receive funds to deploy broadband services, further negatively impacting the economic situation here in Hawaii. Please remove any reference to the Wireless Fund as stated in Section 2 from this measure.

Thank you for giving us the opportunity to express our support as well as our concerns with this bill.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gordon J. Bruce', with a long horizontal line extending to the right.

Gordon J. Bruce (MBA)  
Director and CIO

LINDA LINGLE  
Governor



SANDRA LEE KUNIMOTO  
Chairperson, Board of Agriculture

DUANE K. OKAMOTO  
Deputy to the Chairperson

State of Hawaii  
DEPARTMENT OF AGRICULTURE  
1428 South King Street  
Honolulu, Hawaii 96814-2512

TESTIMONY OF SANDRA LEE KUNIMOTO  
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE  
WEDNESDAY, MARCH 25, 2009  
3:00 P.M.  
ROOM 308

SENATE BILL NO. 292, S.D.1  
RELATING TO FUNDS

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to comment on Senate Bill No. 292, S.D. 1. The purpose of this bill is to transfer excess funds in various special funds to the State's general fund. The Department of Agriculture's Agricultural Loan Division provides funding for farmers, ranchers and aquaculture operations. This is critical during the current economic period when many operations are facing difficulty. The Department understands the reasoning for the bill but opposes the bill. Taking excess funds from the Agricultural Loan Revolving and Reserve funds will limit the program's ability to provide a stimulus to the State's economy as well as preserve existing farm and aquaculture operations that are facing difficult economic times.

Private lenders have tightened credit making it especially difficult to obtain financing from other sources. As a result the program is experiencing strong demand and has already approved \$3,056,000 in loans for the current fiscal year and anticipates using its entire annual budgeted expenditure ceiling of \$4.5 million. As an economic development program, it has the ability to both preserve existing businesses as well as expand existing operations and establish new operations to grow the State's economy. The program has the ability to leverage limited State funding with private sector funding via participation loans and guaranty loans to support the farmers at a time when private lender funding is diminishing and the need for economic development and stimulus is at its greatest. The program, by providing loans, stimulates the economy, creates employment and contributes to tax revenues at no cost to the State and even contributes to the State's general fund on an annual basis via the special fund assessment.





STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P.O. Box 3378  
HONOLULU, HAWAII 96801-3378

In reply, please refer to:  
File:

## HOUSE COMMITTEE ON FINANCE

### S.B. 292 SD1, RELATING TO FUNDS

Testimony of Chiyome Leinaala Fukino, M.D.  
Director of Health

March 25, 2009  
3:00 PM

1 **Department's Position:** The Department respectfully opposes this measure.

2 **Fiscal Implications:**

3 **Purpose and Justification:** The following DOH special funds will be negatively impacted by the  
4 transfer of funds to the general fund, as proposed in this measure:

5 **1) Page 6, Section 18 – Deposit Beverage Container Special Fund (DBCSF):**

6 the DBC Program would NOT be operable by FY2011 and, depending on the date of fund transfer, not  
7 operable during FY2010. This is based on the following:

8 a. If: 1) a substantial amount is transferred from DBCSF; 2) the DBC  
9 administrative fee is increased to 1.5-cents in FY2010; and 3) all county  
10 expenditures are eliminated FY2010, the Fund Balance at the end of FY2010 is  
11 projected to be substantially negative, i.e.,

12 b. The DBC program requires an available cash balance of \$4-5  
13 million/month to remain operable. The negative DBCSF balance projected at  
14 the beginning of FY2011 would leave the Program inoperable.

15 Program operational and DBC recycling impacts:

16 a. Without a sufficient available cash balance, the Program is unable to return  
17 deposits to the public. The Program reimburses deposits (5-cents/container)  
18 and pays handling fees (1-4 cents/container) to certified redemption centers  
19 (CRCs) that pay the public. CRCs generally take out loans from lending

1 institutions to pay deposits to the public and demand immediate payment from  
2 the Program in order to reduce the finance charges applied to their loans. The  
3 Program generates large P.O.s to expedite payment to reimburse CRCs within 2  
4 weeks. If the Program does not have an available and adequate cash balance,  
5 the Program is unable to pay the CRCs. CRCs also are paid handling fees for  
6 DBC material processed and transported for recycling. In general, CRCs need  
7 to store material until it is ready for shipment then submit claims for handling  
8 fees. The timing of handling fee claims is unpredictable and may be submitted  
9 well after the DBC material was originally redeemed. If the Program does not  
10 have sufficient funds available, payments on handling fee claims will be  
11 delayed. CRCs rely on the handling fees to offset processing and transportation  
12 costs.

13 b. The public outcry from the latter will be substantial and may have legal  
14 implications, e.g., inequity of paying DBC refunds and fees with no ability to  
15 redeem containers, etc.

16 **2) Page 6, Section 19 – Tobacco Settlement Special Fund:**

17 The tobacco settlement special fund (TSSF) however is statutorily appropriated for set purposes in  
18 Chapter 328L-2 of the Hawaii Revised Statutes:

- 19 a) 24.5% for emergency and budget reserve fund;  
20 b) 35% for Department of Health (up to 10% Department of Human Services for the State  
21 Children's Health Insurance Program and 25% for DOH health promotion and disease  
22 prevention programs;  
23 c) 12.5% for tobacco prevention and control trust fund; and  
24 d) 28% for University of Hawaii revenue-undertaking fund and annual operational expenses for  
25 the new medical school.

26 The revenue from the multi-state settlement with the participating tobacco companies is not received  
27 into the State Treasury until the last quarter of the fiscal year. From there, the Department works with  
28 the different agencies following state procurement procedures and memorandums of agreements to  
29 transfer the fund for various appropriations. The Department retains a portion for the purpose of the  
30 health promotion and disease prevention programs. The Department finds that this measure circumvents  
31 the established needs of the various appropriations, conflicts with the time needed to proceed with the  
32 revenue distribution that begins at the end of the fiscal year, and may conflict with HB1731 HD1

1 regarding the re-distribution of the TSSF that would significantly decrease the available revenues to the  
2 current appropriations.

3 **3) Page 6, Section 20 – Neurotrauma Special Fund:**

4 As of January 14, 2009, the current NSF balance is estimated to be \$2.6 million dollars. The  
5 Neurotrauma Advisory Board (NTAB), established under the authority of Section 321 H, HRS, is tasked  
6 with advising the Department of Health (DOH) regarding the expenditure of the NSF; thus, planned  
7 expenditures for FY 2009 are determined by the NTAB. Of the estimated \$2.6 million balance,  
8 approximately \$692,867 will be expended during FY 2009 for: a peer mentoring project and a fall  
9 prevention study, a statewide needs assessment of individuals with Neurotrauma Injuries, a brain injury  
10 specialist certification program, a study of the benefits of community based cognitive rehabilitation, and  
11 educational and awareness activities. At the annual planning meeting February 27, 2009, NTAB voted  
12 on future uses of the special fund. DOH expects to receive the formal recommendations of the NTAB  
13 shortly; these recommendations should comply with the statutory purpose for which the NSF was  
14 established. Although no existing contracts are impacted, planning of future activities (for such things  
15 such as support for persons with co-occurring neurotrauma and mental illness) may result in delayed  
16 implementation or limits to the scope of future proposed work.

17 **4) Page 7, Section 21 – Noise, Radiation, and Indoor Quality Special Fund:**

18 The impact of the raid will shut down the tactical Radiological Response Team operations, severely  
19 impact the radiation program, and the neighbor island operation of the community noise program.  
20 Specifically, the following effects will occur:

- 21 • About 80% of interisland travel to conduct periodic inspections of radiation facilities will not  
22 occur raising the potential for unnecessary exposure to ionizing radiation to the workers,  
23 patients, and the general public.
- 24 • Non-compliance with radiation instrument annual calibration requirements. This impacts not  
25 only radiological response but also radiological health inspections for over 1100 radiation  
26 facility and services licensees.
- 27 • The Department of Health's State Radiological Response Team operations will not be able to  
28 conduct training and exercises necessary to maintain response skills, and conduct response  
29 for real events such as a release of radioactive materials from the nuclear propulsion ships  
30 and operations at Pearl Harbor, from high-energy industrial radiography sources used  
31 statewide in construction projects, and from potential terrorist events involving radiological  
32 dispersal devices (RDD) or improvised nuclear device (IND).

- Non-compliance of OSHA requirements for response personnel because requirements such as annual respirator physicals, respirator fit tests, and mandatory hazardous operations (Hazwoper) training cannot be accomplished.
- Non-compliance with FDA and the Mammography Quality Standards Act of 1992 (MQSA) for Certified Mammography Inspectors to obtain continuing education units. The radiation program has two such inspectors.

**5) Page 7, Section 22 – Environmental Health Education Fund**

The reduction of funds would result in the deletion of six (6.00) permanent positions and result in work body reduction-in-force:

2.00 Sanitarians – Food Safety Consultative & Education Program

The Food Safety Consultative & Education Program is established in §321-401, HRS. The purpose of this program is to provide food safety surveillance and control, and educational activities to assist the food service industry and foodhandlers. Informed food managers and foodhandlers are essential for the control of foodborne pathogens in foods served to the public.

Information Technology Specialist

The Information Technology Specialist positions within the Environmental Health Services Division support four branches, including Food & Drug Branch, Indoor & Radiological Health Branch, Sanitation Branch and Vector Control. The ITS positions also provide support to the division's neighbor island program units. All of the division branches are statewide and are core public health programs. The IT Specialist positions are responsible for electronic data processing systems analysis, design, development, implementation and maintenance for all computer platforms.

Personnel Management Specialist

The Personnel Management Specialist position is essential in assisting the division in personnel related matters. The division consists of approximately 150 personnel statewide, across 4 individual branches. The position requires expertise and knowledge in the area of personnel management in order that personnel issues, processes, and requirements of compliance are complied with.

**6) Page 7, Section 23 – Emergency Medical Services Special Fund**

If the Legislature were to transfer-out funding from the EMS Special Fund at the end of FY 09, the projected result on planned expenditures from the EMS Special Fund will be a substantial shortage in

1 funding that would be unavailable on July 1, 2009 to fully encumber EMS contracts for services based  
2 on our biennium budget request. This situation would necessitate cuts in contract budgets contract  
3 funding. This projection does not account for delays (other than a one-month lag) in monthly deposit of  
4 collections, diminishing collections, or the impact that other proposed measures (i.e. HB 1732, HB 1733,  
5 HB 1734, HB 1740) may have on the availability of Emergency Medical Services Special Funds.

6 **7) Page 8, Section 24 – Vital Statistics Improvement Special Fund**

7 These funds are intended to be used to (1) modernize the marriage registration system to encourage  
8 more people to get married in Hawaii. The marriage/wedding/honeymoon business is an important  
9 economic component of Hawaii's tourism industry; (2) support the federally mandated requirements to  
10 make birth, marriage and death records more secure to prevent identity theft per the REAL ID Act and  
11 the Intelligence Reform and Terrorism Prevention Act. The reduction in funds would result in the  
12 deletion of 2 temporary positions and subsequent warm body reduction-in-force. These 2 positions are  
13 required to carry out federal mandated requirements to make birth, marriage and death records more  
14 secure to prevent identity theft per the REAL ID Act and the Intelligence Reform and Terrorism  
15 Prevention Act. In addition, there is no other agency that is responsible for this function and has the  
16 resources, expertise, and knowledge to address the federal mandates. Complaints related to the public  
17 not obtaining their birth, marriage, and death certificates would end up unaddressed and resulting in  
18 problems of greater magnitude in the future.

19 **8) Page 8, Section 25 – Clean Air Special Fund**

20 If the Clean Air Special Fund is not maintained accordingly and is compromised, Hawaii will  
21 lose its federal delegation of the CAA, Title V, operating air permit program. The negative impact will  
22 be that the state will no longer be able to process and issue Title V permits for covered sources such as  
23 Hawaiian Electric Company, Chevron, Tesoro, and other industrial facilities. Instead, the sources will  
24 have to apply and report to the U.S. Environmental Protection Agency (EPA), Region 9, located in San  
25 Francisco since EPA will be required to assume responsibility of the operating permits program and to  
26 establish its own fee program within the State. In addition, strict sanctions may be imposed by EPA  
27 jeopardizing the receipt of future EPA grant awards to Hawaii.

28 The Clean Air Branch (CAB), Department of Health, is highly dependent on the Clean Air  
29 Special Fund for the majority of its personnel and operational program costs. Of the 43 CAB staff, 37  
30 are special funded, 5 are general funded, and 1 is federal funded. With the special fund supporting 86%  
31 of the CAB staff and 70% of the program operations, the transfer of money and reduction in the special  
32 fund account will have major consequences since the special fund reserves will be much lower than the

1 \$6 million balance identified in HAR Chapter 11-60.1, Air Pollution Control. Although annual fee  
2 revenues are deposited in the special fund in the third and fourth fiscal quarter, the personnel and  
3 operational expenditures may be greater at times that may result in an insolvent special fund. If the  
4 revenues in the special fund are projected to be insufficient at a future date, CAB will have to seriously  
5 consider laying off staff and drastically reducing the statewide air pollution control program which is  
6 composed of source permitting, monitoring, complaint investigations, and enforcement activities.

7 **9) Page 8, Section 26 – Environmental Management Special Fund**

8 Solid Waste Tip Fee

9 The transfer-out/reduction in funds would result in the deletion of 8.00 permanent  
10 positions and result in a warm body reduction-in-force. These positions are required to  
11 develop and implement departmental rules on solid waste management activities,  
12 implement the requirements of the Resource Conservation and Recovery Act (CFR part  
13 258); review and approves or disapproves permit applications for solid waste  
14 management, special waste, and materials recycling facilities; inspect and assure  
15 compliance of permitted waste management facilities; investigate and initiate  
16 enforcement actions against violators and illegal operations; analyzes monitoring data  
17 relating to groundwater contamination, ash management and landfill gas generation;  
18 respond to complaints regarding illegal dumping or disposal of solid waste, or other  
19 special wastes. There are no other state agencies that would be able to provide these  
20 services.

21 Glass Advanced Disposal Fee

22 The transfer-out/reduction in funds would result in the deletion of 1.00 permanent  
23 positions and result in a warm body reduction-in-force. The position provides oversight  
24 to contracts for the recycling glass containers in each county. There no other state  
25 agencies that would be able to provide these services.

26 Advance Tire Surcharge

27 The funds currently in this fund were collected from companies that import new tires into  
28 Hawaii (tire wholesalers and new car dealers). The fund is intended for cleaning up  
29 illegal tire dumps throughout the state. There are no new revenues for this fund. The  
30 reduction in this fund would eliminate the State's ability to initiate a cleanup for tire piles  
31 that pose a risk to human health and the environment.

1           **10) Page 9, Section 27 – Environmental Response Revolving Fund**

2           The department must be able to pay for immediate cleanups if the responsible party for a spill  
3 cannot or will not accept responsibility. Cost recovery is not always successful for an entity that is not  
4 economically viable or timely when it must go through an administrative or legal process. Currently the  
5 only consistent source of revenue is the environmental response tax of 5 cents per barrel of oil imported  
6 into the state. As with other revenues, it has remained flat at best, declining as the price of fuel  
7 increased. Annual revenue fluctuates between \$1.6 to \$1.8 million and is very susceptible to a weak and  
8 frail economy.

9           **HTH 849**

10          The revenue received from the 5 cents per barrel oil tax is deposited into the ERRF at  
11 various points throughout the course of the year. As a result, the proposed reduction in  
12 ERRF funds leaves the program with insufficient starting capital to encumber the  
13 contracts that are required to pay for large-scale environmental cleanups and continue  
14 program operations.

15          **HTH 840**

16          Environmental Response Revolving Fund

17          The transfer-out/reduction in funds would result in the immediate deletion of 11.00  
18 permanent status employees through a warm body reduction-in-force. These positions  
19 are required as the State's match for federal Hazardous Waste, Underground Storage  
20 Tank, and Leaking Underground Storage Tank Grants. **Therefore, the reduction would**  
21 **also result in the loss of approximately \$1.6 million in federal funds in addition to**  
22 **the deletion of a total of 18.00 positions..**

23          The potential impact of a \$1 million dollar reduction in ERRF funding would result in the following  
24 elimination of positions and functions:

- 25          • Approximately 18 permanent positions that range from the professional series Underground  
26 Injection Control Geologist II SR28 to the clerical series Office Assistant III SR8. The loss of  
27 these 18 positions would endanger the environment and public health and safety since those  
28 operations would no longer be provided as a public service. As an example, public health would  
29 be affected since there would not be staff with expertise available to determine what hazardous  
30 substances or chemicals are having negative effects on the population.

- 1       • The types of operations that would be eliminated or seriously disrupted include; Planning,  
2       Hazard Evaluation, Site Discovery Assessment and Remediation, Toxicology, Information  
3       Technology, Environmental Engineering, and Clerical.
- 4       • The 18 positions that would be eliminated by a \$1 million dollar reduction are responsible for  
5       ensuring compliance with a variety of E.P.A. Federal Environmental mandates that range from  
6       the Oil Pollution Act of to the Clean Air Act. If the staff required to carry out compliance with  
7       those E.P.A. mandates is not available then federal funding may be jeopardized or reduced.
- 8
- 9       Thank you for the opportunity to provide testimony.





# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Finance  
March 25, 2009 at 3:00pm

by

Howard Todo

Vice President for Budget & Finance/CFO, University of Hawai'i

### SB 292 SD1 – RELATING TO FUNDS

Chair Oshiro, Vice Chair Lee and Members of the Committee:

Thank you for the opportunity to testify on this measure.

The University of Hawaii strongly opposes this bill. Special and Revolving funds are an essential part of the University's operating funds. In addition, they are required for specific purposes as noted below, and are legally obligated for those purposes.

#### University Revenue Undertaking Fund

The fund is comprised of revenue-generating and self-supporting University Bond System projects. The fund includes operating accounts, and major and ordinary repair and replacement accounts. Projects include the Bookstore, Faculty Housing, Food Services, UHM Parking, Student Housing, Telecommunications, and the Campus Center.

Balances for these funds are required for Working Capital. For example, the Bookstore requires a working capital reserve equal to six months operating expenses and Cost of Goods Sold. If these funds are not available, it would lead to an inability to purchase goods for resale.

As part of the University Bond System, executive policy requires an annual transfer of 50% of asset depreciation be set aside for repair and replacement projects. Also, pursuant to bond covenants, the bond system is required to maintain reserves for all outstanding bond system debt. Reserves are also required for major projects, such as the establishment of telecommunications capability in the new ITS building, design of Phase II of the Campus Center expansion, and furniture and equipment for the Campus Center Renovation.

Sweeping of these funds would severely impact campus operations. The Bookstore would be unable to provide students with necessary books and supplies on a timely basis for use in their academic studies. Essential support services such as network connectivity, email, voice/data service, online registration and distance learning opportunities would be severely impacted. Investment in infrastructure improvements could not be made. Student Housing

renovations would be adversely impacted. Annual debt service requirements or OHA Ceded Lands payments may also not be met.

#### Cancer Research Center of Hawaii SF

The mission of the Cancer Research Center of Hawaii is to reduce the burden of cancer through research, education, and service with an emphasis on the unique ethnic, cultural, and environmental characteristics of Hawaii and the Pacific. The bulk of the cash balances for this fund are needed for the new cancer center facility development costs; an updated business plan for the project indicates that costs have increased significantly and it is likely that a greater portion of the cost will be borne upfront by the University instead of by the developer.

Reserves are also required for current and future faculty commitments to support research efforts towards achieving the Center's mission. National Cancer Institute officials have advised the Center that up to 12 faculty should be recruited to remain competitive as a National Cancer Institute-designated cancer research center.

If funds are swept, construction of the new facility would have to be put on hold. This would postpone or eliminate the boost that the construction phase would bring the local economy in the form of construction jobs. Plans for a clinical research component which would bring the latest cancer treatments to Hawaii would also be adversely impacted. CRCH would also not be able to support the commitments made to faculty for their research support needs. Breaking start-up funding commitments could potentially result in legal issues, as the commitments were made in offer letters to faculty under recruitment. In addition to potential legal issues, failure to support research commitments would result in laying off research staff and would effectively stop work on research projects that could have resulted in extramural funding awards.

#### Tuition and Fees SF

Tuition and Fees SF are a major portion of the University's operating funds. Per statute (304A-2153, HRS), the funds are to be expended to maintain or improve the University's programs and operations. These funds are especially critical to us now due to the proposed \$35 million reduction in our General Fund appropriation, with the shortfall to be covered by the Tuition and Fees SF.

It should also be noted that a portion of the Tuition and Fees SF balances are held by Outreach College, for revenues and expenditures for all Outreach credit program activities (Summer Session, Extension, Evening & Weekend and Off-island credit course offerings). A significant portion of the accrued balance is reserved for sponsor use. Sponsors (University of Hawaii departments) that run programs through Outreach College are able to retain a portion of their revenue in accounts maintained by Outreach College. These funds are available to the sponsors for their use in offering future programs/courses.

Deposits to the Tuition and Fees special fund are comprised of tuition, fees, and other credit course-related charges, and as such the funds should be used for the benefit of the University of Hawaii students.

### University of Hawaii Housing Assistance Revolving Fund

The Housing Assistance Revolving Fund's purpose is to implement the UH Faculty Housing Assistance Master Plan by providing financial assistance loans and rental housing units to faculty and staff of the University of Hawaii. The accrued balances are due to budgeted future repair and replacement projects for the Kau'iokahaloa Nui and Kau'iokahaloa Iki housing projects and for the annual debt service payments. In addition, the State Real Estate Commission requires a Condominium Maintenance Fee Reserve equal to 100% of replacement cost, which is equal to \$1,040,000. A reserve is also set aside to repurchase the remaining K-Iki unit, per Board of Regents approval.

Approximately \$1.5 million in Housing Assistance loan funds are reserved for mortgage loans to the faculty. An additional \$2 million is reserved for a proposed loan assistance program in partnership with Bank of Hawaii.

If balances are swept the Housing Assistance RF programs would not have sufficient funds to pay for planned repair and replacement projects, or to pay its annual debt service payments. The K-Iki project cannot be placed in the University Bond System until the last remaining unit is owned by UH; sweeping of the funds for this purchase would delay this. Any sweep of the Housing Assistance Loan Fund would not allow Faculty Housing to provide financial assistance for mortgage loans to faculty. The proposed loan assistance program with Bank of Hawaii would also not occur. Due to increasing operating costs and no rental rate increase, a sweep would cause the faculty housing projects to operate at a deficit by the end of FY 2010.

### Information Technology and Services SF

Per statute (304A-2154, HRS), monies in the Information Technology and Services special fund are to be used "in support of systemwide information technology and services including personnel, equipment costs, and other expenses, as well as planning, design, and implementation of information technology infrastructure within the University".

Major components of this program include the provision of research networking support, provision of teleconferencing and video services, and software site licensing. The program must be able to replace major equipment in a timely manner in order to provide services that customers will pay for. Examples of the kinds of purchases made over multi-year periods include a multi-point control unit for videoconferences and video production equipment. This is particularly important as the program struggles to maintain and even increase services to meet customer expectations for technology support while General Fund budgets are being decreased. If these funds are swept, that sends a clear message that the State penalizes responsible multi-year financial planning rather than encouraging such behavior.

## Research and Training Revolving Fund

The Research and Training Overhead funds are used to support the research mission of the university. The funds are to be used for purposes that may result in additional research and training grants and contracts, and for facilitating research and training at the University. Funds are used (1) to recruit and support top faculty members; (2) for administrative support (i.e. fiscal, HR, compliance, etc.) for extramural contracts and grants; (3) to repair, replace, maintain, upgrade scientific equipment and facilities for continued research; (4) for mandatory matching for extramural contracts and grants; (5) for research projects; (6) for funding of graduate students; and (7) for working capital.

Additionally, an estimated \$1,500,000 is needed for the next 15 years for revenue bond payments for the Biomedical Sciences Building addition. The addition is needed to increase research space at the University which will increase research dollars. Funds have also been committed to several initiatives to expand the research programs at the University. These include committing start up funding or to supplement cost matching for new research programs such as the Applied Research Lab and Center of Excellence as well as to build a Regional Bio-containment Laboratory facility. Such investments are needed to aid the future growth of the research enterprise. A sweep would seriously jeopardize commitments made to sponsors to share in the costs of these new ventures. In addition, funds are required to pay the RCUH management fee of \$2 million for the rest of the year and any unforeseen expenses of ORS, which are both essential to management of the research enterprise.

If balances are swept, (1) it will significantly reduce the University's ability to recruit and retain new and competitive faculty; (2) we will be unable to meet ongoing obligations to fund start-up or required matching for grants for faculty, especially those hired in the last 3-5 years; (3) federal research dollars flowing to UH will decrease; (4) we will not be able to continue to maintain and operate scientific equipment and facilities; (5) working capital requirements for utilities, repairs, etc. cannot be met; and (6) we will be vulnerable to legal action from our inability to meet prior commitments/obligations.

In conclusion, lapsing of "excess" balances from the aforementioned special and revolving funds would significantly affect the University's ability to maintain the current level of services and programs provided to our students and faculty. Our ability to recruit and maintain faculty would also be impacted, and there are also potential legal issues that could result. Finally, passage of this bill will seriously impair the University's ability to provide security to its revenue bond holders and will jeopardize our bond rating, as all of the University's revenue bond debt is secured by its special and revolving funds. For this reason, the University strongly opposes SB 292 SD1.

Thank you for the opportunity to provide testimony with regards to this measure.



# University of Hawai'i at Mānoa

## Board of Publications

1755 Pope Road, Bldg. 31-D  
Honolulu, Hawai'i 96822-2290

Written Testimony Presented to the  
House Committee on Finance  
March 25, 2009 at 3:00 p.m.

by

Grant Chartrand

Chair, Board of Publications, University of Hawai'i at Manoa

### SB 292 SD1 RELATING TO FUNDS

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

The Board of Publications (BOP) is a Chartered Student Organization of the University of Hawai'i at Manoa, comprised of nine student members, three faculty/staff members, one professional member, and one alumni member. As a governing board, the BOP is responsible for providing the necessary management and fiscal oversight for its publications, programs and services. The BOP opposes SB 292 SD1, particularly section 36, which authorizes the Director of Finance to transfer excess funds from the University Revenue-Undertakings fund.

The Campus Center, whose accounts are part of the University Revenue-Undertakings fund, strives to be a self-sustaining operation. As such, the revenue it generates is used for ongoing operational and maintenance of the building. In other words, these funds are used to directly impact the students of the UH Manoa campus by providing us with a student union building that provides a central meeting space and an array of services and activities that enrich campus life and the educational experiences at UH Manoa. The Campus Center not only serves the needs of the UHM students, like those on the BOP and in its programs, but also that of the greater university community, including faculty, staff and the general public.

The proposed transfer of funds, in effect, penalizes the Campus Center Board (CCB), another Chartered Student Organization and the Campus Center's governing body, by negating their long-range planning and fiscal management efforts. The proposed transfer of funds will negatively affect the quality of campus and student life since fewer funds will be available for programs and services that enrich the educational experience for UH Manoa students. Furthermore, this transfer could also encourage the CCB to maintain low to no fund balances for fear of further such transfers in the future. To make up the difference in fund balance reductions, the CCB may propose to raise its student fees, which would increase the financial burden on UH Manoa students.

While we certainly understand the State's revenue shortfall and the need for a balanced budget, the Board of Publications opposes SB 292 SD1, particularly section 36, and urges the committee to consider the ramifications this bill will have on UH Manoa students and their student union building, Campus Center.

Thank you for the opportunity to submit testimony on this bill.

POLICE DEPARTMENT  
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET · HONOLULU, HAWAII 96813  
TELEPHONE: (808) 529-3111 · INTERNET: www.honolulu.org

MUFI HANNEMANN  
MAYOR



BOISSE P. CORREA  
CHIEF

PAUL D. PUTZULU  
KARL A. GODSEY  
DEPUTY CHIEFS

OUR REFERENCE MC-LS

March 25, 2009

The Honorable Marcus R. Oshiro, Chair  
and Members  
Committee on Finance  
House of Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: Senate Bill No. 292, S.D. 1, Relating to Funds

I am Marie McCauley, Major of the Communications Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD strongly opposes Senate Bill No. 292, S.D. 1. This bill seeks to use monies collected for the purpose of providing 9-1-1 service to assist with the state deficit. Any funds that are collected from fees imposed on consumers' bills for the purposes of funding enhanced 9-1-1 service should remain for that purpose.

The federal Ensuring Needed Help Arrives Near Callers Employing 9-1-1 Act of 2004 addressed the problem of dedicated state 9-1-1 funds being diverted by individual states for other purposes. States that divert 9-1-1 funds, which are collected from consumers on their monthly telephone bills for the purpose of supporting 9-1-1 service, will not be eligible for federal grant programs. The Economic Stimulus package has great opportunities for telecommunication grant applications, but our state may not be eligible for this money if the fund has been diverted in any way.

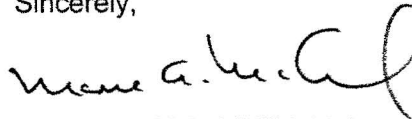
The HPD is the largest Public Safety Answering Point (PSAP) in Hawaii. Over a million calls a year are routed to our PSAP, with almost 80 percent of the calls requesting police service. The cost of upgrading and maintaining enhanced wireless service and the upcoming Next Generation 9-1-1 is expensive. The money that has been collected is necessary to continue the changes needed to provide public safety service to the community.

The Honorable Marcus R. Oshiro, Chair  
and Members  
Page 2  
March 25, 2009

The 9-1-1 service is an essential aspect of our state's homeland security, transportation safety, disaster response and health care delivery system. Please remove any reference to the Wireless Fund as stated in section 2 of this measure.

Thank you for giving us the opportunity to express our concerns about this bill.

Sincerely,



MARIE A MCCAULEY, Major  
Communications Division

APPROVED:



BOISSE P. CORREA  
Chief of Police



The Nature Conservancy  
Hawai'i Program  
923 Nu'uuanu Avenue  
Honolulu, HI 96817

tel (808) 537-4508  
fax (808) 545-2019  
www.nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i  
Commenting on S.B. 292 SD1 Relating to Funds  
House Committee on Finance  
March 25, 2009, 3:00PM, Room 308

The Nature Conservancy requests that the Finance Committee work closely with the DLNR to allow the use of all monies in the Natural Area Reserve (NAR) Fund for the Fund's intended purposes.

We appreciate that these are unprecedented times for our State budget and that we must find ways to balance priorities and get our economy back on sound footing. While you may have to take action like moving accrued and future interest from special funds into the State general fund, we are hopeful that you can avoid drastic measures like reducing future funding allocations or transferring balances from the NAR Fund that could cripple, or even totally eliminate, the **watershed protection and invasive species control programs that are vital to the ecological, economic and public health of the state.**

The and invasive species control ([www.hawaiiinvasivespecies.org/iscs/](http://www.hawaiiinvasivespecies.org/iscs/)) and watershed protection ([www.hawp.org](http://www.hawp.org)) programs that are supported by the NAR Fund are **already anticipating 50-60% cuts** in State funding in Fiscal Year 2010—far more than anticipated by other State funded programs. These cuts are going to happen no matter what because the conveyance tax source of funding is drastically reduced with the down real estate market. The attached documents show declining conveyance tax revenues over the last few years, and the anticipated programmatic and staff cuts planned by NAR Fund beneficiaries.

**The partnerships that receive money from the NAR Fund and manage our natural resources have already stopped filling open positions, are planning to lay off staff in the coming months, and have pulled back on protection efforts. Any further cuts taken in the State budget and the resulting loss of experienced staff will render many natural resource protection programs either inoperable or severely diminished, leaving our watersheds and communities vulnerable to threats which do not recognize recessions.**

Significant belt tightening is necessary and occurring, but please don't cripple conservation in Hawai'i.

Attachments

BOARD OF TRUSTEES

S. Haunani Apoliona Peter D. Baldwin Christopher J. Benjamin Zadoc W. Brown, Jr. Carl A. Carlson, Jr. David C. Cole  
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Jean E. Rolles Scott Rolles James Romig Crystal Rose Eric Yeaman



CONVEYANCE TAX COLLECTIONS & TRANSFERS FOR FY 2008

Month	Total Monthly Conveyance Tax Collections to General Fund - 100%	DLNR S-08-342-C NARS Trf In - 25%	DLNR S-08-317-C Land Conservation Trf In - 10%	HCDCH T-08-930-B Rental Housing Trust Trf In - 50%	TAXATION G-00-000-C General Fund Balance Remaining - 15%
July	\$2,213,212.44	\$553,303.11	\$221,321.25	\$1,106,606.22	\$331,981.86
August	\$3,025,234.70	\$756,308.68	\$302,523.47	\$1,512,617.35	\$453,785.20
September	\$4,492,022.48	\$1,123,005.62	\$449,202.25	\$2,246,011.24	\$673,803.37
October	\$3,573,776.52	\$893,444.13	\$357,377.65	\$1,786,888.26	\$536,066.48
November	\$2,959,259.75	\$739,814.94	\$295,925.98	\$1,479,629.88	\$443,888.95
December	\$3,079,131.57	\$769,782.89	\$307,913.16	\$1,539,565.79	\$461,869.73
January	\$3,478,274.45	\$869,568.61	\$347,827.45	\$1,739,137.23	\$521,741.16
February	\$1,871,282.33	\$467,820.58	\$187,128.23	\$935,641.17	\$280,692.35
March	\$2,952,992.29	\$738,248.07	\$295,299.23	\$1,476,496.15	\$442,948.84
April	\$4,051,020.17	\$1,012,755.04	\$405,102.02	\$2,025,510.09	\$607,653.02
May	\$2,860,587.29	\$715,146.82	\$286,058.73	\$1,430,293.65	\$429,088.09
June	\$3,851,227.53	\$962,806.88	\$385,122.75	\$1,925,613.77	\$577,684.13
<b>Grand Totals</b>	<b>\$38,408,021.52</b>	<b>\$9,602,005.38</b>	<b>\$3,840,802.17</b>	<b>\$19,204,010.79</b>	<b>\$5,761,203.18</b>

**TOTAL CONVEYANCE TAX COLLECTIONS**

FY07	\$48,328,508
FY06	\$56,646,115
FY05	\$24,318,038
FY04	\$18,432,214

CONVEYANCE TAX TRANSFERS FOR FY 2009

Month	Total Monthly Conveyance Tax Collections to General Fund - 100%	DLNR S-09-342-C NARS Trf In - 25%	DLNR S-09-317-C Land Conservation Trf In - 10%	HCDCH T-09-930-B Rental Housing Trust Trf In - 30%	TAXATION G-00-000-C General Fund Balance Remaining - 35%
July	\$2,192,465.87	\$548,116.47	\$219,246.59	\$657,739.76	\$767,363.05
August	\$1,774,945.34	\$443,736.34	\$177,494.53	\$532,483.60	\$621,230.87
September	\$2,514,102.90	\$628,525.73	\$251,410.29	\$754,230.87	\$879,936.01
October	\$1,825,468.79	\$456,367.20	\$182,546.88	\$547,640.64	\$638,914.07
November	\$1,233,090.89	\$308,272.72	\$123,309.09	\$369,927.27	\$431,581.81
December	\$2,074,566.26	\$518,641.57	\$207,456.63	\$622,369.88	\$726,098.18
January	\$1,738,521.89	\$434,630.47	\$173,852.19	\$521,556.57	\$608,482.66
February					\$0.00
March					\$0.00
April					\$0.00
May					\$0.00
June					\$0.00
<b>Grand Totals</b>	<b>\$13,353,161.94</b>	<b>\$3,338,290.50</b>	<b>\$1,335,316.20</b>	<b>\$4,005,948.59</b>	<b>\$4,673,606.65</b>

TOTAL CONVEYANCE TAX COLLECTIONS	
FY08	\$ 38,408,022
FY07	\$ 48,328,508
FY06	\$ 56,646,115
FY05	\$ 24,318,038
FY04	\$ 18,432,214

PROGRAM	OBJECTIVE	TOTAL # OF STAFF	STAFF SUPPORTED BY STATE FUNDS	RESULTS OF ANTICIPATED 60% REDUCTION IN STATE FUNDS IN FY10
WATERSHED PARTNERSHIPS	The Hawaii Association of Watershed Partnerships (HAWP) is comprised of nine Watershed Partnerships on six islands. Watershed Partnerships are voluntary alliances of landowners and other partners working collaboratively to protect more than 1 million acres of forested watersheds for water recharge, conservation, and other ecosystem services.	67	43	<ul style="list-style-type: none"> <li>• <b>Layoff 24 Staff</b></li> <li>• Reduced weed/ungulate control activity</li> <li>• Only maintain current fences</li> <li>• Gains of prior years severely eroded</li> <li>• Loss of species, habitat and water recharge capacity</li> <li>• Increased exposure to fire</li> <li>• Decreased outreach</li> <li>• Increased cost to repair environmental degradation downstream and on reefs</li> </ul>
NATURAL AREA PARTNERSHIP PROGRAM	The Natural Area Partnership Program was established in 1991 to provide state funds on a two-for-one basis with private funds for the management of private lands that are dedicated to conservation. With over 30,000 acres enrolled, this innovative program complements the protection efforts on state lands - a partnership essential for the success of conservation in Hawai'i.	28	19	<ul style="list-style-type: none"> <li>• <b>Layoff 11 staff</b></li> <li>• Reduce forest management activity by 60%</li> <li>• Lose investment in staff training and expertise</li> <li>• Increased future costs to control identified invasive species</li> <li>• Feral pig damage will increase significantly causing degradation to native ecosystems, rare plants and watershed</li> <li>• Invasive weeds will significantly displace native ecosystems</li> <li>• Lose ground gained by removing ungulates from newly fenced area</li> </ul>
NATURAL AREA RESERVES SYSTEM	The Natural Area Reserves System (NARS) was established in 1970 to preserve in perpetuity Hawaii's most unique ecosystems. There are currently 19 reserves on five islands, encompassing more than 109,000 acres. The diverse areas found in the NARS range from marine and coastal environments to lava flows, tropical rainforests, and an alpine desert. The reserves also protect major watershed areas, which are vital sources of fresh water.	39	39	<ul style="list-style-type: none"> <li>• <b>Layoff 8-13 staff</b></li> <li>• No ability to conduct necessary archaeological/cultural surveys or design services necessary for effective management of resources within the NARS</li> <li>• Reduced ability to maintain existing fences and special mgmt units, control priority weeds/ungulates, or outplant rare plants</li> <li>• Significantly reduced ability to coordinate volunteers and outreach</li> <li>• Reduced support/funding for educational/outreach programs</li> <li>• No ability to provide consistent presence and reduced ability to accomplish management priorities at ORMP areas: Kaena Point NAR and Ahihi Kinau NAR</li> <li>• Reduced ability to maintain and repair infrastructure such as fences, trails, roads, boardwalks, helipads, and management shelters.</li> </ul>
YOUTH CONSERVATION CORPS	The Youth Conservation Corps (YCC) is a hands-on summer learning experience aimed at educating Hawaii's youth on the many conservation issues that threaten Hawaii's unique environment. Students are mentored by and work alongside some of Hawaii's premiere conservation leaders. Nearly 170 local youth participated in the 2008 summer program.	8	4	<ul style="list-style-type: none"> <li>• <b>Layoff 2 staff</b></li> <li>• Summer program will be reduced from 120 students to 58</li> <li>• Summer program leaders will remain at 24 as they are funded by federal dollars, but for half of the managers, duties will change from mentoring youth to working as an intern for 7 weeks</li> <li>• Natural resources will suffer from less human assistance to mitigate for ungulates, invasives and other impacts</li> </ul>

PROGRAM	OBJECTIVE	TOTAL # OF STAFF	STAFF SUPPORTED BY STATE FUNDS	RESULTS OF ANTICIPATED 60% REDUCTION IN STATE FUNDS IN FY10
FORESTRY/ FOREST STEWARDSHIP PROGRAM	<p>The Forest Stewardship Program (FSP), administered by the Department of Land and Natural Resources, Division of Forestry and Wildlife (DLNR-DOFAW), provides technical and financial assistance to owners of nonindustrial private forest land that are interested in conservation, restoration, and/or timber production.</p> <p>The Forestry Program manages 55 forest reserves comprising more than 640,000 acres, or 16% of Hawaii's land area. The program also provides financial incentives to agricultural landowners to convert fallow or open land to trees, shrubs, and forest habitat, conducts control and monitoring efforts in each county for existing and incipient invasive species, and coordinates T&amp;E species management.</p>	17	12	<ul style="list-style-type: none"> <li>• <b>Layoff 4-6 staff</b></li> <li>• Limited ability to maintain existing fences and special management units, control priority weeds, or control ungulates</li> <li>• Decreased ability to mitigate known threats to federally endangered species, interruption of restoration and data collection projects</li> <li>• No new FSP projects. Two projects in development to be placed on hold</li> <li>• Limited ability to continue multi-year fence construction projects</li> <li>• Unmitigated degradation of existing road, trail and fencing infrastructure</li> <li>• Possible loss of federal funds due to lack of matching, including loss of up to 2.5 FTE state funded staff supporting these projects; more positions may be lost if federal grants are lost due to lack of funding</li> <li>• Erosion of existing rare plant restoration/ research projects, further loss of Hawaii's natural heritage due to extinction</li> </ul>
INVASIVE SPECIES COMMITTEES	<p>The Invasive Species Committees (ISCs) are island-based partnerships of government agencies, NGOs, and private businesses working to protect each island from the most threatening invasive pests. The ISCs address the need for rapid response and control work on new invasive pests that have the ability to severely impact our economy, ecosystem, watersheds, human health, and quality of life. A driving objective of the ISCs is to control the most threatening pests while populations are still relatively small and it is economically feasible to control or eliminate them.</p>	64	29	<ul style="list-style-type: none"> <li>• <b>Layoff 19 staff</b></li> <li>• Increased future costs to control identified invasive species (e.g., estimated cost impacts from delaying miconia work on Maui range from \$22M-\$34M)</li> <li>• Inability to respond to new coqui reports resulting in island-wide infestations</li> <li>• Inability to assist with HDOA nursery surveys to prevent spread of Little Fire Ant, nettle caterpillars, and coqui frogs</li> </ul>
HAWAII INVASIVE SPECIES COUNCIL	<p>The Hawaii Invasive Species Council (HISC) was established to provide policy level direction, coordination, and planning among state departments, federal agencies, and international and local initiatives for the control and eradication of harmful invasive species infestations throughout the State, and to prevent the introduction of other invasive species that may be potentially harmful.</p>	35	35	<ul style="list-style-type: none"> <li>• <b>Layoff 13 staff</b></li> <li>• Cease operation of SuperSucker, and lose 5-year investment in technology/research</li> <li>• Reduced capacity to conduct risk assessments for new plants</li> <li>• Lose ballast water management data collection</li> <li>• Reduced ability to conduct vessel hull inspections</li> <li>• Reduced capacity to respond to new pest incursions</li> <li>• Reduced community outreach</li> <li>• 50% reduction in West Nile Virus sample collection (mosquito traps, dead birds, bird sera), testing and detection</li> </ul>

Programs Supported by the DLNR Natural Area Reserve Fund	FY09 State Funding	FY10 Expected 60% Reduction in State Funds	Staff Funded with State Funds	Expected Layoffs
<b>HAWAII ASSOCIATION OF WATERSHED PARTNERSHIPS</b>				
Kauai Watershed Alliance	\$294,190	\$117,676	5	5
Koolau Mountains Watershed Partnership	\$227,514	\$91,006	6	3
East Molokai Watershed Partnership	\$124,740	\$49,896	8	1
Lanai Forest & Watershed Partnership	\$75,000	\$30,000	0.5	0
W. Maui Mountains Watershed Partnership	\$217,500	\$87,000	5	4
E. Maui Watershed Partnership	\$441,900	\$176,760	5	4
Leeward Haleakala Watershed Restoration Partnership	\$343,830	\$137,532	6	4
Kohala Watershed Partnership	\$235,500	\$94,200	2	0
Three Mountain Alliance	\$448,320	\$179,328	6	3
<b>HAWP Subtotal</b>	<b>\$2,408,494</b>	<b>\$963,398</b>	<b>43.5</b>	<b>24</b>
<b>NATURAL AREA PARTNERSHIP PROGRAM</b>				
Waikamoi Preserve	\$220,000	\$88,000	4.5	4
Kapunakea Preserve	\$125,000	\$50,000	2.5	2.5
Kanepuu Preserve	\$16,667	\$6,667	0.5	0.5
Kamakou Preserve	\$218,737	\$87,495	3	0
Pelekunu Preserve	\$96,289	\$38,516	0.5	0.5
Moomomi Preserve	\$52,455	\$20,982	0.5	0
Kau Preserve	\$119,910	\$47,964	2.5	1
Puu Kukui Preserve	\$281,216	\$112,486	5	3
<b>NAPP Subtotal</b>	<b>\$1,130,274</b>	<b>\$452,110</b>	<b>19</b>	<b>11.5</b>
<b>NATURAL AREA RESERVES SYSTEM</b>				
Hawaii Island NARS			12	5
Maui Nui NARS			12	6
Oahu NARS	\$4,590,000	\$1,836,000	7	1
Kauai NARS			3	0
Statewide Administration			5	1
<b>NARS Subtotal</b>	<b>\$4,590,000</b>	<b>\$1,836,000</b>	<b>39</b>	<b>13</b>
<b>YOUTH CONSERVATION CORP</b>	<b>\$474,588</b>	<b>\$189,835</b>	<b>4</b>	<b>2</b>
<b>FORESTRY / FOREST STEWARDSHIP</b>				
Forest Stewardship	\$453,516	\$181,406	0.5	0
Watershed Management in Forest Reserves	\$1,000,000	\$400,000	1	0
Conservation Reserve Enhancement Program	\$300,000	\$120,000	1	0
DLNR Invasive Species Program Operations	\$244,898	\$97,959	4	0
T&E Species Management	\$400,000	\$160,000	5.5	5.5
<b>FORESTRY / FS Subtotal</b>	<b>\$2,398,414</b>	<b>\$959,366</b>	<b>12</b>	<b>5.5</b>
<b>INVASIVE SPECIES COMMITTEE</b>				
Big Island Invasive Species Committee (BIISC)	\$375,094	\$150,038	9	5
Kauai Invasive Species Committee (KISC)	\$374,249	\$149,700	6	4
Maui Invasive Species Committee (MISC)	\$430,700	\$172,280	7	4
Oahu Invasive Species Committee (OISC)	\$437,200	\$174,880	7	6
<b>ISCs Subtotal</b>	<b>\$1,617,243</b>	<b>\$646,897</b>	<b>29</b>	<b>19</b>
<b>HAWAII INVASIVE SPECIES COUNCIL</b>				
AIS / Hull Fouling	\$579,800	\$231,920	11.5	4.5
DOA / USDA	\$129,200	\$51,680	3	3
Bishop Museum	\$160,000	\$64,000	1	1
Invasive Species Research Grants	\$330,000	\$132,000	10	0
HISC Support	\$135,000	\$54,000	1.5	0.5
Weed Risk Assessment	\$97,700	\$39,080	2	1
Invasive Species Outreach	\$97,700	\$39,080	4	1
West Nile Virus Detection & Suppression	\$307,300	\$122,920	2	2
<b>HISC Subtotal</b>	<b>\$1,836,700</b>	<b>\$734,680</b>	<b>35</b>	<b>13</b>
<b>GRAND TOTAL</b>	<b>\$14,455,713</b>	<b>\$5,782,285</b>	<b>182</b>	<b>88</b>



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**Alison Powers**  
Executive Director

## TESTIMONY OF ALISON POWERS

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HOUSE COMMITTEE ON FINANCE  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

Wednesday, March 25, 2009  
3:00 p.m.

### **SB 292, SD1**

Chair Oshiro, Vice Chair Lee and members of the Committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 60% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes Section 16** of S.B. 292, SD1. This section of the bill transfers excess funds from the Compliance Resolution Fund into the general fund.

The Hawaii Supreme Court ruled in December 2008 that the transfer of \$3.5 million from the Compliance Resolution Fund in 2002 and 2003 into the general fund were unconstitutional under the separation of powers doctrine and the State was required to return the \$3.5 million.

In its testimony on H.B. 1016, HD2 before the Senate Committee on Judiciary and Government Operations on March 20, the Attorney General requested that \$3.5 million in general funds be appropriated to effectuate the Supreme Court's order.

Transferring funds from the Compliance Resolution Fund into the general fund would again violate the separation of powers doctrine as the Supreme Court has already determined. For this reason, we ask that this section be removed.

Thank you for this opportunity to testify.



Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice-chair  
Committee on Finance

Andrew Ken Itsuno  
President-Elect  
Campus Center Board  
University of Hawaii at Manoa

Wednesday, March 25, 2009

**Opposition to of SB292 S.D. 1, Relating to Funds Specifically Lapsing Special and Revolving Funds to the General Fund**

To the Honorable Representative Marcus Oshiro,

I would like to state that on behalf of the Campus Center Board at the University of Hawaii at Manoa and its constituents, I am strongly opposed to Senate Bill 292.

If these funds or any funds from the reserves are taken, the Campus Center will not be able to realize its renovation and repair projects. Students paid the fees in order to receive services from the student union, including services that can be obtained from its renovation and construction. In 2006, students petitioned to raise their own student fees in order to construct this recreational facility.

Please do not penalize the Chartered Student Organization (CSO) for effective long-range planning & sound fiscal management.

Renovation and repair of the Campus Center and I Iemenway Hall buildings, which are 35 and 71 years old respectively, is critical. If no funds are allocated for its upkeep and its preventive maintenance, the buildings will deteriorate and it will cost the state and university even more funds to manage the deteriorating facilities. Deteriorating facilities will affect programs and services in which students depend on. In addition, they will eventually effect admissions because our facilities will no longer be up to par or are in disrepair.

It is understood that these reserves or cash balances are being considered for other uses because of the current financial state, however, if this rationale is used, funds that are identified for very specific uses will not be used for its intended purpose. Students petitioned to raise their own student activity fees to help build their recreational facility and to maintain and renovate their current student union.

Please do not penalize the Chartered Student Organization for its effective long-range planning & sound fiscal management.

I humbly ask that you oppose Senate Bill 292.

Thank you,

Andrew Ken Itsuno  
President Elect  
Campus Center Board  
University of Hawaii at Manoa





CATHOLIC CHARITIES HAWAII

**TESTIMONY – COMMENTS ON SB 292, SD1—RELATING TO FUNDS**

**TO:** Representative Marcus Oshiro, Chair; Representative Marilyn Lee, Vice Chair, and Members, Committee on Finance

**FROM:** Betty Lou Larson, Housing Programs Director  
Catholic Charities Hawaii

**HEARING: Wednesday, March 25, 2009; 3:00 pm; CR 308**

Chair Oshiro, Vice Chair Lee, and Members of the Committee on Finance:

Thank you for the opportunity to provide testimony on this bill which would transfer excess funds from many special and revolving funds to the general fund. I am Betty Lou Larson, Housing Programs Director, from Catholic Charities Hawaii.

RE: Sections 13, 14, 15, and 17. We are very concerned that any transfer of funds from the housing funds listed would have a very serious impact on the creation and/or sustainability of affordable rentals. Catholic Charities Hawaii supports ongoing, consistent funding to create affordable housing and to maintain/sustain the housing that is in place. The Rental Housing Trust fund is recognized as the key to leveraging many funds to make projects work out financially. It is our understanding that there are no excess funds since the project applications which have been received amount to more than the funds available. Even if the funds have not yet been allocated, these are not "excess funds". There are many projects in line that need these funds to successfully develop their affordable rentals.

The same is true for DURF funds. Transfer of funds from the dwelling unit revolving funds will have a serious negative impact on projects that are in the pipeline. With the lack of other financial tools due to the severe downturn in the economy, this State resource is extremely valuable to keep projects' costs down so they continue to pencil out. Some projects may lose other financing tools as investors and financial institutions pull back on lending. DURF is one of the few programs that the State has to prevent good projects from collapsing due to the national economic situation.

We are also concerned that the housing for elders revolving fund needs stable funding to ensure that senior housing remains in good repair. All the State's senior projects are aging, along with their tenants. Funds must be available to ensure that health, safety and other critical concerns are addressed in a timely manner.

We recognize that the State's deficit is driving this bill. We urge you to consider funds that would have actual excess funds, and would not impact as greatly on the urgent need in our state for stable, affordable, and sustainable housing. Thank you for your consideration of the ongoing critical need for affordable housing in our State.





March 24, 2009

Honorable Marcus Oshiro, Chair  
 And Members of the Finance Committee  
 State House of Representatives  
 Hawai'i State Capitol  
 415 South Beretania Street; Room 306  
 Honolulu, Hawai'i 96813

Dear Chair Oshiro and Members:

Subject: Senate Bill No. 292 SD1  
 Related to Various Special Funds

**CENTRAL OFFICE**

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 E-mail: [mhah@mutual-housing.org](mailto:mhah@mutual-housing.org)

**PROPERTIES**

Lihue Court Townhomes  
 Kekaulike Courtyards  
 Palolo Homes

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**EXECUTIVE DIRECTOR**

David M. Nakamura

**The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly opposes the portions of Senate Bill No. 292 SD 1** which propose the transfer of excess balances in the Housing Finance Revolving Fund, the Rental Assistance Revolving Fund, the Rental Housing Trust Fund and the Dwelling Unit Revolving Funds (which we will refer to as "*Housing Funds*") to the State's General Fund.

As Hawai'i faces an affordable housing crisis, we have seen our number of homeless growing, while even working families find it necessary to double-up with family or friends. New rental housing production has not kept pace with the loss over the years of affordable housing units through demolition, speculation, and conversion to for-sale units. It is ironic that some of these same Housing Funds were raided in the 1990's. We believe that this was a significant factor in the reduction of affordable housing development in the late 1990's and 2000's greatly contributed to the affordable housing crisis we are faced with today.

As an owner and developer of affordable rental housing, we can attest to the critical need for permanent and dedicated sources of funding to build new rental housing. The flexible funding provided by these Housing Funds allows developers to leverage other funding programs such as low-income housing tax credits, tax-exempt bonds and conventional bank loans to make affordable projects financially feasible. Without these Housing Funds, future construction of affordable rental housing will be even more difficult, if not impossible, and Hawai'i will fall further behind in addressing its shortage of rental housing units for our families.

Thank you for the opportunity to provide this testimony.

Sincerely,

David M. Nakamura  
 Executive Director

To: Representative Marcus Oshiro, Chair,  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance

From: Community Alliance Partners  
Hawai'i Island Continuum of Care to End Homelessness  
(808) 933-6033 [hawaiicap@gmail.com](mailto:hawaiicap@gmail.com)

FIN Public Hearing Date: Wednesday, March 25, 2009, (3:00 p.m.) CR 308

**COMMENTS: SB 292, SD1 RELATING TO FUNDS**

Dear Chair Oshiro, Vice Chair Lee, and Members of the Committee on Finance:

Community Alliance Partners (CAP), the Continuum of Care for the Island of Hawai'i, is a broad based consortium of social service providers and community members working together to address the issue of homelessness. These efforts are centered on collaboration to develop a spectrum of resources to assist those affected by homelessness in obtaining and maintaining sustainable housing and achieving economic self-sufficiency.

We are commenting to express concern regarding Sections 13, 14, 15, and 17, and the impact of any transfer of funds from key vehicles to promote the creation and sustainability of affordable rental housing.

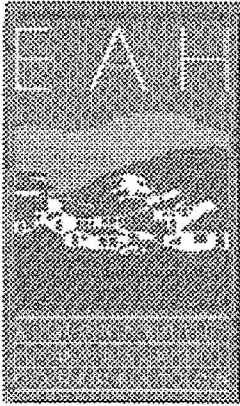
Housing is one of the most critical and challenging issues impacting our State in the current economic crisis. The Rental Housing Trust Fund (RHTF) and Dwelling Unit Revolving Fund (DURF) are important tools which directly facilitate affordable housing which is so desperately needed.

These solution-focused resources leverage greater value through the projects they make possible, and in our present climate are even more essential. We are concerned that a proposed transfer of funds would place these housing resources, and the much needed affordable housing projects they make possible, in a precarious position in a time when we need to do all we can to help secure them.

We ask for the committee's support to help ensure that these funds are not jeopardized, and to maintain access to these resources to promote affordable sustainable housing.

We thank you for your continuing efforts to seek sustainable solutions for Hawai'i's economic and housing needs.

Thank you for the opportunity to testify.



March 23, 2009

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee Vice Chair  
House Committee on Finance  
State Capitol  
Honolulu, Hawaii 96813

Subject: S.B.292, SD1; Hearing on March 25, 2009, 3:00PM, Testimony in Opposition

Dear Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance:

Thank you for this opportunity to share our thoughts on S.B. 292, SD1. EAH Housing is strongly opposed to the inclusion of Sections 12, 13, 14, 15 and 17 of this bill. All of these sections address housing relating funds either for the support of tenants or for the support of the development of affordable housing.

EAH Housing is a non-profit public benefit corporation dedicated to developing, managing, promoting and preserving affordable rental housing. We depend and rely on the Rental Housing Trust Fund (Section 14) and the Dwelling Unit Revolving Fund (Section 15) when projecting the feasibility of new developments. These funds help to fill the gap financing we need to make our dreams and our potential resident's dreams a reality – a place to call home. The "gap" is the difference between what equity we are able to raise, typically via Low Income Housing Tax Credits (LIHTCs) and the amount of the debt the property can carry given the mandated maximum rents per the LIHTC program. We cannot raise rents to take on more debt to reduce the amount of "gap" financing needed. Our only solution to reduce the gap is to raise more equity. In today's market with the demand for LIHTCs at an all time low the gap has widened significantly causing us to rely more than ever on sources named in this bill.

The development process is a long one that takes a lot of planning. We must have a certain level of confidence in knowing that our sources of financing will have funds available when we need them. Please do remove any monies from the funds named above.

Sincerely,

Kevin R. Carney, (PB)  
Vice President, Hawaii

TESTIMONY TO THE HAWAI'I STATE HOUSE OF REPRESENTATIVES  
COMMITTEE ON FINANCE

Honorable Members:

My name is Rouel Velasco and I am full-time staff member of University of Hawaii at Manoa employed in the Office of Student Life and Development. I work directly with the Associated Students of the University of Hawaii (ASUH) as their Operations Coordinator. I submit this testimony in opposition to SB 292 SD1 relating to funds, specifically taking student activity fee monies.

The proposed bill penalizes the Campus Center Board, one of the University of Hawaii at Manoa Chartered Student Organizations, for effective long-range planning and sound fiscal management. This bill could encourage CCB in the future to maintain low to NO fund balances for fear of further scoops. The proposed bill will also reduce the CCB's fund balance and may result in eliminating student leadership positions and leadership opportunities, which require stipends.

In addition, the proposed legislation contradicts the intent of Act 184 established by the Legislature back in May 1980. Act 184 established the student activities revolving fund which allows monies to be expended by each Chartered Student Organization, respectively, for purposes it deems necessary and proper. The proposed legislation has a psychological impact on lower student and staff morale, contributing to decreased student trust of the Legislature's perceived violation of the Chartered Student Organization's right to expend funds from their accounts.

Furthermore, the proposed bill will affect the overall quality of campus and student life since less funds will be available for programs that enrich the educational

experience for all enrolled students at the University of Hawaii at Manoa. This also minimizes the role student leaders and the Chartered Student Organizations assume in student empowerment, student involvement, and student participation in institutional governance of the university.

I humbly ask for your support in opposing this legislation relating to the taking of student activity funds. Thank you for your consideration of this matter.

Sincerely,

Rouel G. Velasco

To: The Honorable Marcus R. Oshiro, Committee Chair

Hawaii House Committee on Finance

Date: March 25, 2009, 3:00 p.m. Conference Room 308 (State Capitol)

Re: Opposition to SB 292, SD1 Relating to Funds. Lapses excess balances from special and revolving funds to the general fund.

Chair Oshiro and members of the committee, my name is Glenda Duldulao. I am an undergraduate student of the University of Hawaii at Manoa and a member of the Campus Center Board (CCB). Thank you for the opportunity to testify on SB 292 SD1 Relating to Funds.

I strongly oppose SB 292, which would redirect student activity fee monies from Campus Center Operations & Recreation Fee also known as the University Revenue-Undertakings Fund into financing our state's budget shortfall situation.

As a student of the university, I believe that the money that is being sought after belongs to us; the students. We paid for these fees with the understanding it will be used in ways that would benefit us, which includes the services and programs that enhances the quality of campus and student life experience. I have attended a few of the events that are being offered to the students, such as the movie night, concerts and arts and crafts and I personally think that these events provides a venue for students, like me, to unwind from our tiring school schedule. The proposed redirection of excess funds will lessen the funds that are available for programs that aims to enrich our educational experiences here at UH Manoa.

In addition as a member of the Campus Center Board (CCB), which the governing board of the student union, I believe that the "scoop" of money will certainly limit the role of student leaders, like myself, in student empowerment, involvement, and participation in institutional governance. With this proposed redirection of money, it will reduce the CCB's fund balance and may result in eliminating leadership positions and leadership opportunities. Furthermore, our student initiated projects maybe stalled if not eliminated due to low or no fund balances.

The money that is being sought after needs to stay at the university and be used for the students at the university. We need this money to maintain the quality of student life and to provide means of empowerment for our students.

I urge the committee to be in opposition of SB 292 to help maintain the quality of campus and student life of our future leaders.

**TESTIMONY TO THE HAWAII STATE HOUSE COMMITTEE ON FINANCE**  
SB 292, SD1: Relating to Funds  
Tuesday, March 24, 2009

Dear Senator Representative Marcus R. Oshiro-Chairperson, Representative Marilyn B. Lee- Vice Chairperson & Members of the House Committee on Finance:

Today, I write this letter in **firm opposition to sections 36 and 38 of Senate Bill 292, SD1: Relating to Funds.**

I am aware of the current financial difficulties the state of Hawaii is facing and understand that measures must be taken in order to cushion the states economy for the upcoming year, however I firmly disagree with sections 36 and 38 of Senate Bill 292 pertaining to the potential scoop of student monies. We are educating the future leaders of tomorrow and how do we expect them to be prepared for tomorrow's problems if we are cutting their educational experiences today?

This proposed scoop of student monies will undoubtedly be felt by all students, not only will it eliminate leadership opportunities for students but this will run deep into the veins of the university and affect the quality of campus and student life which are imperative in retaining students and enriching their educational experience at the University of Hawaii at Manoa.

In May of 1980, the State of Hawaii implemented Act 184; this proposed scoop directly contradicts what was stated in the act. Act 184 established the student activities revolving fund which allows monies to be expended by each Certified Student Organization (CSO) for purposes it deems necessary and proper. This proposed scoop would contribute to decreased student trust of the Legislature's perceived violation of the CSO's right to expend funds from their accounts.

I strongly recommend that the House reconsider Senate Bill 292 as it reads and strike both sections 36 and 38.

Respectfully,

Jonathan W. Hite  
Vice President, 96<sup>th</sup> Senate  
The Associated Students of the University of Hawaii at Manoa.  
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## **TESTIMONY TO THE HAWAII STATE HOUSE COMMITTEE ON FINANCE**

SB 292, SD1: Relating to Funds

Tuesday, March 24, 2009

Dear Senator Representative Marcus R. Oshiro-Chairperson, Representative Marilyn B. Lee-Vice Chairperson & Members of the House Committee on Finance:

Today, I write this letter in **firm opposition to sections 36 and 38 of Senate Bill 292, SD1: Relating to Funds.**

Should this Bill pass in its current state, section 36 will allow the director of finance to scoop the \$2.5 million dollars retained by the University of Hawai'i Campus Center Board that is needed for planned future projects. Such a scoop penalizes Campus Center Board for long-range planning, prohibits the completion of the Campus Center renovation and repair projects, and deeply impacts the repairs and maintenance budget for Campus Center and Hemenway Hall on the UH Mānoa campus. Furthermore, section 38 of this Bill permits the director of finance to pull from the University's "tuition and fees special fund," once again threatening to confiscate students' money that is intended to be spent on the students attending the University of Hawai'i.

In May of 1980 the State of Hawai'i implemented Act 184, which established the student activities revolving fund to allow University of Hawai'i Certified Student Organization's (CSO's) to expend monies for purposes it deems necessary and proper. Considering that the Campus Center does not receive G-Fund's for its operations, and is instead funded by student activity fees as well as revenues from leases, food service commissions, and service fees, this proposed scoop will confiscate students' money that was intended for specific purposes. More specifically, this money is intended for phases two and three of the Campus Center Expansion Project. Removing any portion of this reserve will prohibit Campus Center from realizing this renovation and repair project as well as further defer the maintenance of the building which will only cost the State of Hawai'i more money in the future. Furthermore, moving forward with this proposed scoop will eliminate the student's trust in the Legislature as a result of this violation of Act 184 intended to ensure the CSO's right to expend funds from their own accounts.

As the President of the 11,000 full-time undergraduate population at the University of Hawai'i at Mānoa, I can say with confidence that such an act as this will threaten the future success of our students and the campus CSO's. Although I understand the immediate financial difficulties the state is currently facing, I firmly believe that taking student money from the students sets a horrible precedent for the tough future circumstances the university and state will face.

Therefore, I respectfully request that section 36 and 38 of Senate Bill 292, SD1: Relating to Funds, are struck from the bill.

Sincerely,

Jaime M. Sohn  
President, 96<sup>th</sup> Senate  
Associated Students of the University of Hawai'i, Mānoa  
808-956-4824  
jmsohn@hawaii.edu

Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice-chair  
Committee on Finance

Andrew Ken Itsuno  
President-Elect  
Campus Center Board  
University of Hawaii at Manoa

Wednesday, March 25, 2009

**Opposition to of SB292 S.D. 1, Relating to Funds Specifically Lapsing  
Special and Revolving Funds to the General Fund**

To the Honorable Representative Marcus Oshiro,

I would like to state that on behalf of the Campus Center Board at the University of Hawaii at Manoa and its constituents, I am strongly opposed to Senate Bill 292.

If these funds or any funds from the reserves are taken, the Campus Center will not be able to realize its renovation and repair projects. Students paid the fees in order to receive services from the student union, including services that can be obtained from its renovation and construction. In 2006, students petitioned to raise their own student fees in order to construct this recreational facility.

Please do not penalize the Chartered Student Organization (CSO) for effective long-range planning & sound fiscal management.

Renovation and repair of the Campus Center and Hemenway Hall buildings, which are 35 and 71 years old respectively, is critical. If no funds are allocated for its upkeep and its preventive maintenance, the buildings will deteriorate and it will cost the state and university even more funds to manage the deteriorating facilities. Deteriorating facilities will affect programs and services in which students depend on. In addition, they will eventually effect admissions because our facilities will no longer be up to par or are in disrepair.

It is understood that these reserves or cash balances are being considered for other uses because of the current financial state, however, if this rationale is used, funds that are identified for very specific uses will not be used for its intended purpose. Students petitioned to raise their own student activity fees to help build their recreational facility and to maintain and renovate their current student union.

Please do not penalize the Chartered Student Organization for its effective long-

range planning & sound fiscal management.

I humbly ask that you oppose Senate Bill 292.

Thank you,

Andrew Ken Itsuno  
President Elect  
Campus Center Board  
University of Hawaii at Manoa

Aloha,

I would like to begin my testimony by stating that I believe the primary purpose of any university, especially a state university, is to provide all students with the education, leadership opportunities, and skills needed to become active educated members in their communities. Student activities, like those supported by Campus Center, are vital to the sustainability and enrichment of student life. Although scooping student activity fees may seem like a simple solution to the States financial crisis, I would suggest that its long term effects will be devastating for student life. Through the scooping of student fees from such organizations the State will not only be taking away from the students of the University of Hawaii at Manoa, it will be taking away from Hawaii's future leaders, citizens, and international friendships.

These funds are used by students who are simply trying to plan for their future, help their community, and grow as leaders. This money is provided by the students for the students and should not be used for any other means other than supporting student investments. As I am learning in my Communication 660 class and in life, "the effects of all present decisions will be in the future." Please consider what the effects of taking student funds, paid and used by students, will have on the future of each individual student, the campus community, and the State of Hawaii.

Before you decide to scoop any student fees it is imperative that you understand exactly what you will be putting at risk. Through the scooping of student fees you will be running the possible risks of penalizing the Campus Center Board's ability to provide effective long-range planning and sound fiscal management, trigger an increase of student fees, risk the possibility of eliminating leadership positions and opportunities which require stipends, affect the quality of campus and student life, lower student and staff morale, minimize student empowerment, involvement, and participation in institutional governance. Articles have suggested that 2009 will be amongst the largest student enrollment that the system of the University of Hawaii has had.

The student body attending UHM should be seen as an economic boost for the State. If the State takes away money saved for student activities I fear that the student quality at the university will drop and students will develop less trust in the State. The seeds of future leadership and participation in governance are often blossomed at the university level. Please consider the risk of your decision before when deciding to approve Bill SD 292\_SD1.

Through my experience at the University of Hawaii at Manoa, as an alumnus of the University of Hawaii'I at Manoa Athletics' Department, a past student staff member for Campus Center, a current graduate student member of the Board of Publications, and a full-time staff for The Department of Student Life and Development, I have grown as student, a team member, and an individual. It is my hope to take all of my experiences from this great University and be able to

give back to the community that made it all possible. My experience at the University has been amazing and fruitful. I cannot imagine going through college without the support that student organizations and activities have provided me, nor would I want to imagine what such an experience would be like for my fellow student body.

Sincerely,

Cassandra S. Harris