



STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
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January 8, 2009

Senator Donna Mercado Kim, Chair
Senate Ways and Means Committee
Representative Marcus Oshiro, Chair
House Finance Committee
415 South Beretania Street
Honolulu, Hawaii 96813

Aloha Chair Mercado Kim and Chair Oshiro,

Thank you for allowing me to present OHA's FY2010 and FY2011 budget request on January 6, 2009. I would like to provide some additional information on your questions and request for additional information as follows:

1. *Provide a list of priorities from the BOT.*

The OHA Board of Trustees established 10 priority areas in the OHA Strategic Plan which was first approved in 2002 and updated in 2005. These priority areas are outlined on page 7-8, of our January 6, 2009 testimony document. We also note in the document that we are in the process of updating our strategic plan and priorities. We will share this information with you when the process is completed and approved by the BOT in June of this year. The priorities for the general funds will be identified through our updated budget submission with the 10%, 15%, and 20% reduction as noted in item 2 below.

2. *Prepare and present at next meeting a budget with a 10%, 15%, and 20% reduction.*

We expect the BOT to approve an amended general funds budget request in early February that will include a 10%, 15%, and 20% reduction, which will be provided to you once it is approved by our board.

3. *Explain how fiscal reserve fund is calculated.*

The OHA Fiscal Reserve fund is not a rainy day fund in the same sense as the State's rainy day fund referred to by Senator Mercado Kim. The OHA Fiscal Reserve fund is part of the Native Hawaiian Trust Fund (NHTF) and not a separate account. The Fiscal Reserve represents funds that can be utilized from

the NHTF, above the 5% spending limit, in special situations calling for immediate action with a super majority vote of the BOT. Use of Fiscal Reserve funds decreases the value of the NHTF and should be minimized during this period of decreasing stock market performance and has a direct impact on future year spending limits and withdrawals as they are computed based on the fair market value of the NHTF.

The OHA Fiscal Reserve is calculated at the end of each fiscal year after completing the fiscal audit and includes any funds lapsed based on that year's spending limit.

4. *Cost of producing the Annual Report, and the Grants Report distributed at the January 6 budget briefing meeting.*

2008 Grants Report
\$9,195.84 (to print 3,000 copies of 36 page report)

2008 Annual Report
\$ 3,141.36 (purchase photography)
14,498.28 (to print 3,000 copies of 48 page report)
\$17,639.64 total

5. *BOT discussions on OHA/DHHL merge.*

Discussion of this issue is premature and is at the discretion of the OHA Board of Trustees. They may decide to discuss this issue upon passage of the Native Hawaiian Reorganization Act in the context of nation building. A merger would require an amendment to the State Constitution and Hawaii Revised Statutes.

6. *Kau Inoa Expenditures.*

The FY2008 Kau Inoa expenditures amounted to \$1.356 million dollars over a 12 month period.

The *Kau Inoa* Registration program is the foundation of the future Native Hawaiian Governing Entity. It is the source from which the credibility, quality and substance of the future Hawaiian nation will flow.

According to the 2000 US Census, there are 401,162 Hawaiians living in the US. Approximately 240,000 live within the state of Hawai'i, while 161,000 live on the US continent. As of December 2008, over 100,000 Hawaiians nationwide have signed up in the *Kau Inoa* registration.

7. *Washington D.C. Bureau Expenditures.*

The FY2008 Washington D.C. Bureau expenditures amounted to \$286,333 dollars.

In accordance with OHA Strategic Plan Policy Goal 7, Strategy 4, (policy / legislative engagement), the goal of the Washington, D.C. Bureau is to increase support for issues important to Native Hawaiians and secure passage of favorable legislation at the national level to better the conditions of Native Hawaiians. The five primary objectives are:

1. To educate Congress and the executive branch on issues important to Native Hawaiians;
2. To establish and maintain organizations and individuals at the national level as allies;
3. To overcome resistance of non-supporters of issues important to Native Hawaiians;
4. To establish a mechanism to collect and disseminate information on issues important to native peoples; and
5. To promote and protect OHA's entitlements.

8. *Resend Senator Clayton Hee requested information and materials and send copies to WAM and FIN.*

Copies of the November 21, 2008 letter and attachments will be resent to Senator Hee and copied to the Chairs of the WAM and FIN committees under separate cover.

We certainly understand the current funding situation and appreciate the need for all state agencies and departments to reduce their budget requests. We will cooperate with your committees in reaching a budget reduction solution that is fair and equitable to both the State and OHA on behalf of our beneficiaries. However, I would like to clarify and reiterate a number of points I made during our testimony that I believe will help to lead us to an equitable solution, as follows:

1. Many Native Hawaiians are at the bottom of the economic scale and will be negatively impacted more than many other ethnic groups living in Hawaii. The economic downturn has resulted in increased demand for Native Hawaiian services and assistance. The number of inquiries to our office from beneficiaries has increased by 26% in calendar year 2008 over 2007.
2. State budget cuts will reduce services and programs that support low to moderate income individuals including OHA beneficiaries. As seen in the past these beneficiaries or the organizations serving beneficiaries often turn to OHA to make up this reduction in funding of services.
3. OHA is expected to take a double hit in funding reductions. Trust funds available to OHA will decrease due to under performance of its investment portfolio as a result of the volatile stock market along with the reduction in the general fund appropriation.

4. At the January 6, budget hearing we reported FY2008 OHA grants in the amount of \$18 million and the FY2010 budget of \$12 million. However, our actual grants budget has not been decreased from its FY2008 level as seen in the following table:

Item	FY2008	FY2009	FY2010	FY2011
Grants	12,307,409	12,205,287	\$12,331,812	\$12,189,461

The FY2008 amount of \$18 million is higher than the budgeted amount due to grants awarded in previous years, but not processed or paid until FY2008. The amount also includes almost \$4 million in funding for special projects funded through the OHA fiscal reserve account to include \$2.2 million for Charter schools and several other grants for increasing services required by our beneficiaries. We expect the demand for services and support to continue, especially in light of reduced state, federal, and foundation funding.

5. Continued legal challenges that could seriously impact Native Hawaiians have and will continue to require financial resources that could otherwise be used to address the increased demand for Native Hawaiian services and assistance.

Finally, I would like to point out that OHA's general fund budget requests have not increased significantly over the past five years. The FY2006 budget request was \$2,866,279. Our initial FY2010 and FY2011 budget request was \$3,087,075 reflecting an increase of 8% over the FY2006 request.

Once again, OHA is committed to working with you and your committee members to reach an equitable solution that will best address the needs of our beneficiaries, OHA, and the State.

'O wau iho nō,



Clyde W. Nāmu'o
Administrator

C: OHA Board of Trustees