

HB1303,HD2

Measure
Title:

RELATING TO PUBLIC HOUSING.

Report
Title:

Public Housing; Community Facility Maintenance
Fee; Minimum Rent; Preferences

Description:

Authorizes the Hawaii Public Housing Authority to assess a fee to all units for community facility maintenance. Requires minimum rent schedule for housing projects and annual Consumer Price Index adjustments of minimum rent. Effective July 1, 2030. (HB1303 HD2)

Companion:

Package:

None

Current
Referral:

HMS, WAM

Introducer(s):

CABANILLA, BROWER, CHANG, CHONG, EVANS,
HANOHANO, ITO, JOHANSON, C. LEE, MANAHAN,
MCKELVEY, MIZUNO, PINE, SOUKI, TAKAI,
TSUJI, YAMASHITA, Herkes, M. Lee

NEIL ABERCROMBIE
GOVERNOR



DENISE M. WISE
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
Honolulu, Hawaii 96817

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

Statement of
Denise M. Wise
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON HUMAN SERVICES

March 17, 2011 1:45 P.M.
Room 016, Hawaii State Capitol

In consideration of
H.B. 1303 H.D. 2
RELATING TO PUBLIC HOUSING

Madam Chair and Members of the Senate Committee on Human Services, thank you for the opportunity to provide you with comments regarding House Bill 1303, as amended by House Draft 2, relating to public housing.

The Hawaii Public Housing Authority (HPHA) appreciates the intent of this measure; however, we oppose enactment of the measure since it proposes changes to Section 356D, Hawaii Revised Statutes, which would be duplicative of existing HPHA policy and would be more appropriately handled by the HPHA via existing administrative protocols.

While the HPHA appreciates legislative concern for strengthening the agency's ability to be self-sustaining, particularly with respect to supporting community facilities that are provided by the Authority to its tenants, the HPHA opposes Section 1 of this measure since it is unnecessary to accomplish such a goal. At this time, the HPHA is in the process of adopting the 2011-2012 Public Housing Authority (PHA) Annual Plan. One of the elements of this year's PHA Annual Plan, Section 6.0(a)5, includes the HPHA's intention to "review and revise its policies regarding use of community rooms, centers and other public spaces on public housing property." Property Management staff is already assessing the need to charge a nominal facility maintenance fee for the rental and use of common areas for private functions to help cover utility and housekeeping costs incurred and the agency is developing this policy through internally developed methodologies. An unintended consequence of imposing a maintenance fee on all units would be an inequity to those tenants that do not utilize community facilities and thus should not be responsible to offset costs incurred to the agency by those who do.

The HPHA also opposes Section 2 of the measure. The agency currently possesses the capacity to set a minimum rent schedule for State Housing developments. At its February 17, 2011 Board of Directors meeting, the HPHA adopted a resolution authorizing the Executive Director to establish minimum rents over a period of three to

five years that will bring the state low-income housing into conformance with HRS 356D-43 regarding fiscal self-sufficiency. Attached please find the approved Board For Action, Board Resolution No. 42, and necessary data considered by the Board of Directors in determining this policy.

The agency wishes to highlight some additional concerns with the bill as drafted. There is currently no need to set a minimum rent for the State's elderly housing developments, yet this legislation would not distinguish between elderly and family public housing. The HPHA serves the State of Hawaii's most vulnerable populations, such as those earning less than thirty percent of the Area Median Income (AMI), the disabled, and the elderly.

FY 2010 Income Limits Honolulu, HI MSA	Area Median Income \$81,700		Maximum Monthly Rent
Income Limit for 1-person families			
Very Low Income (50% Area Median Income)		\$34,800	\$870
Extremely Low Income (30% AMI)		\$20,900	\$522
Income Limit for 2-person families			
Very Low Income (50% AMI)		\$39,750	\$994
Extremely Low Income (30% AMI)		\$23,850	\$596
Income Limit for 3-person families			
Very Low Income (50% AMI)		\$44,700	\$1,117
Extremely Low Income (30% AMI)		\$26,850	\$671

Rents charged by the HPHA are income-based, and are limited to 30% of the tenant family's adjusted gross income. In calculating adjusted gross income, qualified tenant expenses are deducted from their net income, and rents are assessed at the reduced amount and may not exceed 30%. The table above illustrates the maximum monthly rent the HPHA could charge a family, assuming zero eligible income deductions.

Over 90% of state public housing residents earn between 0% and 30% AMI. A resident earning \$20,900 annually could be charged a maximum rent no higher than \$522 per month. According to HUD, Fair Market Rent for a 0 Bedroom apartment in Honolulu is \$1,190 per month, more than twice the maximum rent the HPHA can charge a single person earning 30% AMI. Many tenants have eligible deductions which reduce their maximum rent below these threshold amounts, and many live on incomes fixed by the Social Security Administration (\$674 per month for FY 2011) which are not adjusted with the Consumer Price Index. If a single person is living with Social Security as their sole source of income, they would be earning less than 10% AMI and their rent would be limited to \$202 per month, assuming no eligible deductions.

According to the attached documentation from the February HPHA Board of Directors meeting, if minimum rents were set at \$300 per month as suggested by this bill, 54% of State family public housing residents would be unable to make monthly rent payments and would be subject to eviction with no other private market options; particularly those who would otherwise benefit from adjust gross income deductions (see Attachment to Board For Action included below). Those who rely on fixed income sources, provided by social security and supplemental security income (SSI), would remain in this

Hawaii Public Housing Authority

March 17, 2011

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population group and would not experience increases in payments based on such indices. They would thus be unable to afford the minimum rents adjusted thereby.

The HPHA appreciates the opportunity to provide the Senate Committee on Human Services with the agency's position regarding H.B. 1303 H.D. 2. We respectfully request the Committee to hold this measure.

FOR ACTION

MOTION: To Adopt Board Resolution No. _____ Authorizing the Executive Director to Establish Rents Over a Period of Three to Five Years That Will Bring the State Low-Income Housing Into Conformance with §356D-43, HRS Regarding Fiscal Self-Sufficiency and to Explore Whether Section 8 Vouchers are Available For State Housing

I. FACTS

- A. The HPHA manages a total of 288 State low-income rental units located in six developments. (Attachment A)
- B. In 2006 the State Legislature passed Act 180. Provisions of that Act amended sections of Chapter 356D, Hawaii Revised Statutes, to require the HPHA to fix the rents for dwelling units and other facilities in state low-income housing projects at rates that will produce revenues sufficient to pay "all expenses of management, operation, and maintenance, including the cost of insurance, a proportionate share of the administrative expenses of the authority to be fixed by it, and the costs of repairs, equipment, and improvements, to the end that the state low-income housing projects shall be and always remain self-supporting."
- C. Act 180 further enacted Chapter 356D-45, Hawaii Revised Statutes, which established the State low-income housing revolving fund for the deposit of the proceeds from the rental housing to be used for the operations and administration of state low-income rental units. As of December 30, 2010 the fund had a balance of \$29,474.
- D. Based on the FY 2011 approved budget, the State low income rental housing was projected to spend \$1,986,611 on operations. Currently, rents and related incidental income are projected to raise \$850,700 or about 43% of the operating expenses. For FY 2011 the projected net loss is slightly more than \$1.1 million. In prior years State low income rental housing has not produced adequate revenues to cover expenses.
- E. Although actual year to date rents are above the budget projections, to meet the "break even" requirements in state statute, low income housing rents would need to be increased an average of 86%.

II. DISCUSSION

- A. Rents in State low income rentals are established to be consistent with Federal guidelines covering other public housing units, namely that rents not exceed 30% of the resident's verified applicable income. Rents are adjusted periodically for each tenant during their annual rent certification review. The chart below provides the minimum rents currently charged for these units:

1 bedroom	\$108	(42 units)
2 bedroom	\$128	(148 units)
3 bedroom	\$152	(60 units)
4 bedroom	\$180	(24 units)
5 bedroom	\$212	(14 units)

- B. Each year HUD establishes fair market rent rates for each locale. As of January 1, 2011 the fair market rents for each island were as follows:

METROPOLITAN FMR AREA

	<u>0 BDR</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>
Honolulu	1190	1396	1702	2470	2764

NONMETROPOLITAN COUNTIES

	<u>0 BDR</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>
Hawaii	850	1020	1145	1614	1769
Kauai	980	1104	1454	1825	1986
Kalawao	1021	1177	1383	1748	1990
Maui	1255	1391	1617	2161	2317

- C. There are a number of ways in which the HPHA can close the current budget gap in the operation of State low-income housing. These include:
1. Repairing and filling 41 units (as of mid-January) that are currently vacant. Doing so will require the authority to redirect State CIP dedicated to other high priority reconstruction projects.
 2. Collecting a portion of the estimated \$318,825 (as of mid-January) in past due rents. However, the bulk of these funds (\$290,373) are more than 90 days delinquent and are likely uncollectible.
 3. Restructuring the management of State housing to lower costs. It should be noted that two of the developments are in Honolulu, one is in Hilo, one in Waikoloa, one in Koloa, and one in Maunaloa. The geographic spread of these units and the small number of rentals at

each site make it difficult to appreciably lower operating costs.

4. Divesting ownership of these units to allow other parties to manage and operate them. These parties may be able to invest funds not available to the State to upgrade and improve the operation of State housing.
5. Seek Housing Assistance Vouchers (Section 8) support from HUD to subsidize the operations of these units. These vouchers are difficult to obtain and are usually reserved for structures built with federal, rather than state, dollars.
6. Seek State general fund operating support. Given current budget constraints and the 2006 intent of the Legislature to make these units self-sufficient, it is unlikely that State general funds will be available for the foreseeable future.
7. Increase rents on existing state low income units to comply with Section 356D-43 including substantially increasing the minimum rent level. Rents would need to be set at a rate sufficient to raise a total of \$1.99 million in FY 2011, to be adjusted annually. This will likely result in some current residents no longer being able to afford the unit where they live.

III. RECOMMENDATION

That the Hawaii's Public Housing Authority's Board of Directors adopt Board Resolution No. ____ authorizing the Executive Director to establish rents over a period of three to five years that will bring the state low-income housing into conformance with HRS 356D-43 regarding fiscal self-sufficiency and that the Board also authorize the Executive Director to explore whether Section 8 vouchers are available to help bridge the budget gap during the interim period.

Prepared by: Nicholas Birck, Planner____

Adopted:

Travis O. Thompson
Chair

Attachment A
 For Action: State Owned Low Rent Units

as of 2/10/11

	Location	Available Units	Occupied Units	No./Pctg of Families Paying < \$250	No./Pctg of Families Paying < \$300	No./Pctg of Families Paying < \$375	Unit Types
2201	Hauiki	46	45	18	40%	20	44%
2202	Puuhala	128	117	46	39%	55	47%
2206	Lokahi	30	18	6	33%	8	44%
2204	Kawalehewa	26	25	19	76%	19	76%
2205	Ka Hale Mua	32	27	18	67%	20	74%
2207	Ke Kumu Elua	26	14	8	57%	10	71%
	TOTALS	288	246	115	47%	132	54%
							20-2bd/16-3bd/10-4bd
							14-1bd/58-2bd/28-3bd/14-4bd/14-5bd
							14-2bd/16-3bd
							6-1bd/20-2bd
							12-1bd/20-2bd
							10-1bd/16-2bd
							42-1bd/148-2bd/60-3bd/24-4bd/14-5bd

	Location	Available Units	Occupied Units	No./Pctg of Families Paying < \$250	No./Pctg of Families Paying < \$300	No./Pctg of Families Paying < \$375	Unit Types
2401	Hale Poai	206	204	111	54%	123	60%
2402	Laiola	108	105	44	42%	64	61%
2403	Kamalu-Ho'olulu	221	220	128	58%	141	64%
2404	Hale Hale	41	40	23	58%	29	73%
	TOTALS	576	569	306	54%	357	63%
							80-studios/126-1bd
							60-studio/48-1bd
							171-studio/50-1bd
							30-studio/11-1bd
							341-studio/235-1bd

RESOLUTION NO. 42

HAWAII PUBLIC HOUSING AUTHORITY
STATE OF HAWAII

RESOLUTION TO AUTHORIZE THE EXECUTIVE DIRECTOR TO ESTABLISH RENTS OVER A PERIOD OF THREE TO FIVE YEARS THAT WILL BRING THE STATE LOW-INCOME HOUSING INTO CONFORMANCE WITH §356D-43, HRS REGARDING FISCAL SELF-SUFFICIENCY AND TO EXPLORE WHETHER SECTION 8 VOUCHERS ARE AVAILABLE FOR STATE HOUSING.

WHEREAS, the Hawaii Public Housing Authority manages a total of 288 State low-income rental units located in six developments; and

WHEREAS, pursuant to Chapter 356D, Hawaii Revised Statutes, as amended by Act 180, 2006 Session Laws, the Hawaii Public Housing Authority is required to fix the rents for dwelling units and other facilities in state low-income housing projects at rates that will produce revenues sufficient to pay all expenses and remain self-supporting; and

WHEREAS, based on the FY 2011 approved budget, the State low income rental housing was projected to spend \$1,986,611 on operations while only raising \$850,700 or about 43% of the operating expenses through rents and in prior years State low income rental housing has not produced adequate revenues to cover expenses; and

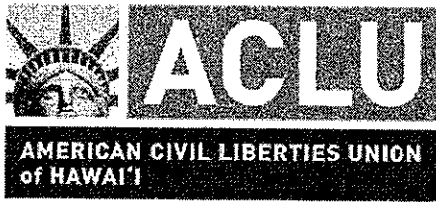
WHEREAS, to meet the "break even" requirements in state statute, low income housing rents would need to be increased an average of 86%; and

WHEREAS, rents would need to be set at a rate sufficient to raise a total of \$1.99 million in FY 2011, to be adjusted annually;

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of the Hawaii Public Housing Authority do hereby authorize the Hawaii Public Housing Authority's Executive Director to establish rents over a period of three to five years that will bring the state low-income housing into conformance with HRS 356D-43 regarding fiscal self-sufficiency and that the Board also authorize the Executive Director to explore whether Section 8 vouchers are available to help bridge the budget gap during the interim period.

The UNDERSIGNED, hereby certifies that the foregoing resolution was duly adopted by the Board of Directors of the Hawaii Public Housing Authority on February 17, 2011 in Honolulu, Hawaii.

Travis O. Thompson, Chairperson



Committee: Committee on Human Services
Hearing Date/Time: Thursday, March 17, 2011, 1:45 p.m.
Place: Room 016
Re: Testimony of the ACLU of Hawaii in Opposition to H.B. 1303, HD2

Dear Chair Chun Oakland and Members of the Committee on Human Services:

The American Civil Liberties Union of Hawaii (“ACLU of Hawaii”) writes in opposition to H.B. 1303, HD2, which seeks to require the Hawaii Public Housing Authority (“HPHA”) to establish minimum rent for state public housing units and annual consumer price index adjustments of minimum rent. H.B. 1303, HD2, also seeks to require HPHA to seek the full cost of repair damage to a unit and assess a fee to all units for community facility maintenance.

This bill severely and unnecessarily burdens and punishes poor families. In this time of high and rising unemployment, we should not be considering ways to raise public housing tenants’ rent. The current rent structure appropriately balances the goals of the public housing authority with the needs of public housing tenants and should be maintained. Hawaii would be better served by enforcing the current rules and providing support to individuals and families seeking to transition out of public housing units.

The mission of the ACLU of Hawaii is to protect the fundamental freedoms enshrined in the U.S. and State Constitutions. The ACLU of Hawaii fulfills this through legislative, litigation, and public education programs statewide. The ACLU of Hawaii is a non-partisan and private non-profit organization that provides its services at no cost to the public and does not accept government funds. The ACLU of Hawaii has been serving Hawaii for over 40 years.

Thank you for this opportunity to testify.

Sincerely,

Laurie A. Temple
Staff Attorney
ACLU of Hawaii

American Civil Liberties Union of Hawai'i
P.O. Box 3410
Honolulu, Hawai'i 96801
T: 808.522-5900
F: 808.522-5909
E: office@acluhawaii.org
www.acluhawaii.org

HB561,HD1

Measure
Title:

RELATING TO PUBLIC ASSISTANCE.

Report
Title:

QUEST

Description:

Requires QUEST or QUEST-net vendors to notify the DHS when QUEST or QUEST-net enrollees are also covered by private health insurance. Requires private health insurance plans to be the primary insurer. Effective July 1, 2050. (HB561 HD1)

Companion:

Package:

None

Current
Referral:

HMS, WAM

Introducer(s):

CHONG, M. LEE, B. OSHIRO, SAY, YAMASHITA



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 17, 2011

MEMORANDUM

TO: Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 561, S.D.1 - RELATING TO PUBLIC ASSISTANCE**

Hearing: Thursday, March 17, 2011; 1:45 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of the bill is to ensure that private insurance is the primary payor of medical claims for persons who have health insurance coverage both through the QUEST or QUEST-net programs and a private health insurance plan.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent this bill, but this bill is unnecessary as DHS already has the authority and intends to pursue the intent of the bill.

Medicaid is already the payer of last resort.

Additionally, health plans contracted with DHS already notify DHS when becoming aware that a member has a third party liability (i.e. another insurance coverage such as workman's compensation). DHS intends to clarify in its contracts with health plans that they are required to notify DHS of any member in a QUEST Expanded program (i.e. QUEST, QUEST-ACE, QUEST-Net, and QUEST Expanded Access) who also has private insurance through that health plan.

Thank you for the opportunity to provide testimony on this bill.
AN EQUAL OPPORTUNITY AGENCY

HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

March 17, 2011

The Honorable Suzanne Chun Oakland, Chair
The Honorable Les Ihara, Jr., Vice Chair

Senate Committee on Human Services

Re: HB 561 HD1 – Relating to Public Assistance

Dear Chair Chun Oakland, Vice Chair Ihara, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 561 HD1 which would require QUEST contracted health plans to notify the Department of Human Services (DHS) when members are also found to be receiving coverage under a private plan as well. HMSA supports the intent of this measure.

We understand the financial strain faced by the State and that there is a need to ensure that government-funded health care services are only being provided to those in need. Currently there are instances in which a QUEST member may be able to receive coverage under both a QUEST plan and through private coverage. These eligibility determinations are made by the Med-QUEST division, not contracted plans, and are based on an individual's income and family size. At this time, when HMSA discovers a member who is enrolled both in our QUEST plan and receiving coverage through a private plan, this information is passed on to the Med-QUEST division. We support the language in HB 561 HD1 to formalize this process in statute.

We would respectfully request that the Committee see fit to pass HB 561 HD1. Thank you for the opportunity to testify.

Sincerely,

Jennifer Diesman
Vice President
Government Relations