

DAVID Y. IGE
GOVERNOR
STATE OF HAWAII

JOSH GREEN
LT. GOVERNOR
STATE OF HAWAII



WILLIAM J. AILA, JR.
CHAIRMAN
HAWAIIAN HOMES COMMISSION

TYLER I. GOMES
DEPUTY TO THE CHAIRMAN

**STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF WILLIAM J. AILA, JR, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HEARING ON FEBRUARY 11, 2020 AT 10:40AM IN CR 211

SB 2265, SD1 RELATING TO HAWAIIAN HOMELANDS

February 7, 2020

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to submit written testimony on SB2265. This bill establishes the micro enterprise assistance program on Hawaiian home lands revolving fund to provide grants and loans through the implementation of the micro enterprise assistance program to qualified native Hawaiians, native Hawaiian-controlled homestead associations, homestead association community development corporations, and Native Hawaiian community organizations with a demonstrated ability and history of making and administering loans and providing support to qualified native Hawaiians. The Department of Hawaiian Home Lands supports this measure as long as it doesn't affect the priorities identified in the Governor's Supplemental Budget request.

Thank you for your consideration of our testimony.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150

HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2265, S.D. 1

**February 11, 2020
10:40 a.m.
Room 211**

RELATING TO HAWAIIAN HOMELANDS

The Department of Budget and Finance offers comments on Senate Bill (S.B.) No. 2265, S.D. 1.

S.B. No. 2265, S.D. 1, establishes the Micro Enterprise Assistance Program (MEAP) in the Hawaiian Home Lands Revolving Fund; and appropriates unspecified amounts of general funds and revolving funds in FY 21 for loans and grants to assist recipients with establishing independently-owned businesses through the MEAP. The proposed revolving fund would generate revenues through legislative appropriations, federal grants and subsidies, private investments, and voluntary contributions; and be administered by the Department of Hawaiian Home Lands.

As a matter of general policy, the department does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits

sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to S.B. No. 2265, S.D. 1, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.

COUNTY COUNCIL

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February 7, 2020

TESTIMONY OF KIPUKAI KUALII
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 2265, SD1, RELATING TO HAWAIIAN HOMELANDS
Senate Committee on Ways and Means
Tuesday, February 11, 2020
10:40 a.m.
Conference Room 211

Dear Chair Dela Cruz and Members of the Committee:

Thank you for this opportunity to provide testimony in support of SB 2265, SD1, Relating to Hawaiian Homelands. My testimony is submitted in my individual capacity as a Member of the Kaua'i County Council.

I fully support this new Micro Enterprise Assistance Program to assist the Hawaiian Homes Commission Act homestead associations with community economic development throughout the State of Hawai'i. My preference would be for the program to be housed in the Department of Business, Economic Development, and Tourism where there is expertise and a track record on economic development.

Thank you again for this opportunity to provide testimony in support of SB 2265, SD1. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

KIPUKAI KUALII
Councilmember, Kaua'i County Council

AMK:ks

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Unity, Equality, Aloha for all



To: SENATE COMMITTEE ON WAYS AND MEANS

For hearing Tuesday February 11, 2020

Re: SB 2265, SD1 RELATING TO HAWAIIAN HOMELANDS.

Establishes the micro enterprise assistance program on Hawaiian home lands revolving fund to provide grants and loans through the implementation of the micro enterprise assistance program to qualified native Hawaiians, native Hawaiian- controlled homestead associations, homestead association community development corporations, and Native Hawaiian community organizations with a demonstrated ability and history of making and administering loans and providing support to qualified native Hawaiians. Appropriates funds. Takes effect on 7/1/2050. (SD1)

TESTIMONY IN OPPOSITION

This bill would establish a "micro enterprise assistance program" for DHHL beneficiaries or their associations or corporations. Presumably it refers to providing small grants or loans to small businesses.

Microloans as pioneered in Asia at first seemed like a wonderful idea, until they led to severe economic and personal crises for recipients.

In 2006 the Nobel Peace Prize was awarded to Muhammad Yunus and the Grameen Bank which he founded, for their creativity in setting up a program of very small loans to individual entrepreneurs, mostly female, in underdeveloped Asian countries afflicted with severe poverty. The recipients used the money to buy equipment and supplies to start up new companies, mostly in their own homes, where they might spin yarn, make clothing, etc. There were several million recipients who were almost all successful, repaid the loans in tiny weekly payments to local collectors who came to their doors, and often grew their businesses by reinvesting profits or taking out additional loans.

But as years went by problems emerged, as reported in "The Economist" weekly magazine dated August 15, 2019. "In parts of Sri Lanka's north and east, some women keep track of their microloans by the day of the week the collectors come. Others identify the lenders by the colours of their collectors' shirts. Monday loan blue shirt, Tuesday loan yellow shirt: small, unsecured loans promoted by the government after the decades-long civil war ended in 2009 have enmeshed many women in hopeless debt. A central-bank official says his employees have talked desperate borrowers out of killing themselves. At least 170 committed suicide last year. Nalani Wickremesinghe, from Baduraliya in the south, has taken loans from 11 companies ... The first was to pay for her husband's medical treatment. Then he fell at his workplace and is still bedridden. She has borrowed 500,000-600,000 rupees (\$2,800-3,400) in total ... She has already pawned, and lost, her gold jewellery. Struggling to feed her family, she has little option but to borrow again ..."

It's a shame this bill is so poorly written that readers have no way to know whether microloans as pioneered by Muhammad Yunus are actually being proposed for DHHL communities, nor whether the social disasters described in "The Economist" article might then afflict communities in Hawaii.

One element of this bill is totally unacceptable. Section 2 appropriates money for this program from the state general fund. But under terms of the bill all the recipients must be native Hawaiians, or homeowner associations or companies owned by native Hawaiians. Despite the long history of Hawaii providing tax dollars to racially exclusionary groups, such programs are unconstitutional under the 14th Amendment Equal Protection clause.

But even if it were OK to have government-sponsored racial entitlements, let's remember that the Office of Hawaiian Affairs has more than \$600,000,000 in assets hoarded over the years, and it's long past time to spend that money for the purposes that it was set aside to serve. OHA, not the taxpayers, should pay for this program.



Robin Puanani Danner, Chairman
Sybil Lopez, Vice Chairman
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Honolulu, HI 96814
info@hawaiianhomesteads.org

Date: February 10, 2020
To: Honorable Senator Delacruz, Chair, Senate Committee on WAM
Fr: Robin Puanani Danner, SCHHA Chairman
Re: Testimony on SB 2265 – Micro Enterprise

Founded in 1987, SCHHA is the oldest and largest coalition of Hawaiian Homestead Associations, and native Hawaiian beneficiaries eligible for lands under the Hawaiian Homes Commission Act of 1920 (HHCA). We serve and represent the interests of native Hawaiians on the waitlist, as well as homesteaders with home, farm, ranch or mercantile land leases under the HHCA.

SB2265 achieves the goal of HB1402, introduced in the 2019 legislature by Representative Luke to advance economic development on the trust lands created by the U.S. Congress across the state. There were 2 primary goals of HB1402:

- 1. To direct funding to HHCA Homestead Associations.** As Chair Luke stated to HHCA beneficiary leaders last year, she wanted to see funding make it directly to Homestead Associations which are federally defined in 43 CFR 47/48. Hence the legislation limited eligible organizations to Homestead Associations and/or their designated 501c3 arms, which have been thriving and building projects around the State. These member-based organizations are organized under the laws of the State of Hawaii.
- 2. For HHCA Homestead Associations to benefit from the direct expertise of DBEDT.** Chair Luke recognized the inability of DHHL to be all things to all people and that economic development, social enterprise, are not areas DHHL has any expertise in, hence HB1402 directed the program to DBEDT. Indeed, in 2019, DHHL testified that it does not have the capacity, nor the expertise to deliver on economic development programming.

Please register our support of SB2265 with amendments to achieve the original work of Chair Luke and Homestead Constituents that presented solutions to growing the economies of our Homestead Regions, serving not only HHCA beneficiaries, but non-Beneficiaries as well. For example, MEAP is to invest in Homestead Association projects that might build an open-air marketplace owned and operated by a Homestead Association, while serving all citizens. Another example, MEAP can invest in a Homestead Association program that assists farmers or ranchers through the purchase of equipment available to all farmers and ranchers in a region. And yet another, could be the investment in a Homestead Association to operate a Neighborhood Watch Program, that creates an improved environment for economic development in a homestead region.

Revisions recommended to SB2265 to achieve its original intent are:

- A. Include language** that enables DHHL to enter into an MOU with DBEDT to implement this program at DBEDT to bring the maximum expertise of DBEDT to homesteads. This would honor DHHL's admission that it does not have expertise in this field, and honor Chair Luke's wisdom in 2019.
- B. Delete lines 10 – 15 on Page 12.** To be frank, these lines, continue a narrative that Homestead Associations and their designated 501c3 nonprofits are somehow not equipped to do projects, and instead need to be served by general Native Hawaiian organizations that have no expertise in the unique lands of the HHCA. This program was and still is envisioned to direct funding to the experts on HHCA lands, directly. And to connect the expertise of DBEDT to Homestead Associations where projects happen.

Mahalo.

Founded in 1987, SCHHA is the oldest and largest coalition of Hawaiian Homestead Associations and native Hawaiians exercising sovereignty on the trust lands enacted by Congress under the Hawaiian Homes Commission Act of 1920