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Statement of
Hakim Ouansafi

Hawaii Public Housing Authority
Before the

HOUSE COMMITTEE ON HOUSING

Tuesday, February 9, 2021
10:00 AM - Room 423, Hawaii State Capitol

In consideration of

HB 1114

RELATING TO NON-GENERAL FUNDS

Honorable Chair Nakamura and Members of the House Committee on Housing, thank you for the opportunity to provide testimony concerning House Bill (HB) 1114, relating to non-general funds.

The Hawaii Public Housing Authority (HPHA) **supports the intent** of HB 1114, and offers the following **comments and amendments**. This measure repeals or reclassifies certain non-general funds of the Hawaii public housing authority pursuant to the recommendations of the auditor in auditor report no. 21-02.

PART V of HB 1114 repeals the state low-income housing revolving fund as recommended by the auditor in auditor report no. 21-02. The current fund balance is \$1,157,252.00, but also has an active encumbered amount of \$900,972.33, which leaves a cash available balance of \$256,279.67. This amount will be depleted in the very near future as planned vacant unit repairs will be occurring over the next few weeks.

In the bill's current form, by repealing the state low-income housing revolving fund, the HPHA's state low-income public housing program will not be able to use the rental revenue and fees collected to administer the program, will not have a place for the HPHA to deposit rental revenue and fees to administer the program, and the HPHA will depend upon the Legislature to appropriate the entire amount of A funds to administer the program on a biennium basis, while also converting fourteen (14) W funded positions to A funds.

The HPHA understands that we are going through tough times but repealing this revolving fund will not bring additional funding into the general fund as intended and would result in the displacement of hundreds of families. Currently, in order to make the state low-income public

housing program self-supporting, the HPHA would need to raise the rents for 288 families to the levels that can be seen in the table below:

Comparison: current vs breakeven

Unit Type	Min rent	Current Average	Breakeven rent	\$ Increase	% Increase
1-bedroom	\$ 108	\$ 193	\$ 506.65	\$ 313.23	162%
2-bedroom	\$ 128	\$ 304	\$ 665.45	\$ 361.55	119%
3-bedroom	\$ 152	\$ 541	\$ 960.37	\$ 419.49	78%
4-bedroom	\$ 180	\$ 643	\$ 1,168.32	\$ 524.86	82%
5-bedroom	\$ 212	\$ 555	\$ 1,376.27	\$ 821.01	148%

As the Legislature has assisted the HPHA in the past with general funds so that rents would not have to be raised, it is our hope that the Legislature can delay in repealing the state low-income housing revolving fund while the HPHA works with the community and Resident Advisory Board to find a long-term solution to truly make the state low-income public housing program self-supporting.

Therefore, the HPHA humbly requests that PART V of the measure be removed from the bill.

The HPHA appreciates the opportunity to provide the Committee with the HPHA's testimony. We thank you very much for your dedicated support.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Repeal Non-General Funds

BILL NUMBER: HB 1114

INTRODUCED BY: LUKE

EXECUTIVE SUMMARY: Repeals or reclassifies certain non-general funds of the Hawaii public housing authority pursuant to the recommendations of the auditor in auditor report no. 21-02.

SYNOPSIS:

- Abolishes the financial assistance for housing special fund administratively established in 2001, with any unencumbered balance to lapse to the credit of the general fund.
- Abolishes the HPHA administration revolving fund administratively established in 1982, with any unencumbered balance to lapse to the credit of the general fund.
- Amends section 356D-28, HRS, to reclassify the public housing revolving fund as a special fund.
- Repeals section 356D-45, HRS, with respect to the state low-income housing revolving fund, with any unencumbered balance to lapse to the credit of the general fund.

Makes conforming and technical amendments.

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS: The 1989 Tax Review Commission noted that use of special fund financing is a “departure from Hawaii’s sound fiscal policies and should be avoided.” It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Because of the spotlight of monies in special funds, HRS section 23-12 requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and at five-year intervals. This bill was the result of Auditor’s Report No. 21-02.

Digested 2/5/2021