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SENATE COMMITTEE ON HOUSING  
The Honorable Stanley Chang, Chair  
The Honorable Dru Mamo Kanuha, Vice Chair

**S.B. NO. 2226, RELATING TO HOUSING COSTS**

Hearing: Tuesday, February 8, 2022, 1:00 p.m.

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The Office of the Auditor appreciates the opportunity to testify on S.B. No. 2226, requesting the auditor, with the assistance of the Hawai'i housing finance and development corporation, conduct an affordable housing cost study, and offers the following comments.

The bill requires us to conduct an affordable housing cost study that measures the factors that influence the cost of building affordable housing, breaks down total development costs for affordable housing, and enables the State to maximize resources allocated for affordable housing. The study shall also measure the factors that influence the cost of building market rate housing to compare with the factors that influence the cost of building affordable housing.

The Office of the Auditor was established to conduct audits of state departments, offices, and agencies. Our work primarily is performance audits, meaning we evaluate a department or program's operations against appropriate criteria, such as relevant statutes, administrative rules, policies, procedures, and best practices, to assist the Legislature and the departments with improving program performance, reducing costs, and facilitating greater efficiency in state government.

The study requested by S.B. 2226 is not an audit, and as such, we are unsure how much value we would add by conducting this study. We very likely would need considerable assistance and guidance from the Hawai'i Housing Finance and Development Corporation (HHFDC), which has subject matter expertise, including in the procurement and management of a consultant. For that reason, our involvement is unnecessary and, given our lack of subject matter expertise, may actually impede the proposed study. We suggest HHFDC is better equipped to conduct the proposed study.

Thank you for considering our testimony related to S.B. No. 2226.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTY-FIRST LEGISLATURE, 2022**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 2226, RELATING TO HOUSING COSTS.

**BEFORE THE:**

SENATE COMMITTEE ON HOUSING

**DATE:** Tuesday, February 8, 2022 **TIME:** 1:00 p.m.

**LOCATION:** State Capitol, Room 225, Via Videoconference

**TESTIFIER(S):** Holly T. Shikada, Attorney General, or  
Sandra A. Ching, Deputy Attorney General

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Chair Chang and Members of the Committee:

The Department of the Attorney General provides the following comments on this measure.

The purpose of the bill is for the auditor, with assistance of Hawaii Housing Finance and Development Corporation, to conduct an affordable housing cost study and submit a report to the Legislature no later than twenty days prior to the convening of the Regular Session of 2023.

In section 2, on page 2, lines 5-15, the bill provides:

There is appropriated out of the general revenues of the State of Hawaii the sum of \$ \_\_\_\_\_ or so much thereof as may be necessary for fiscal year 2022-2023 for the purpose of conducting the affordable housing cost study; provided that:

- (1) No funds appropriated under this Act shall be expended unless matched dollar-for-dollar with federal funds; and
- (2) The Hawaii housing finance and development corporation may assist the auditor in pursuing federal funds for the purpose of conducting the study.

In this measure the expending agency is not identified. Without an identified expending agency, it is not clear which agency is authorized to expend the appropriated money.

To avoid potential legal challenge, we suggest the following addition be made, with the name of the expending agency inserted in the blank, to section 2, on page 2, line16:

The sum appropriated shall be expended by the \_\_\_\_\_ for the purposes of this Act.

Thank you for the opportunity to provide these comments.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

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

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
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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 HOUSING  
ON  
SENATE BILL NO. 2226

**February 8, 2022**  
**1:00 p.m.**  
**Room 225 and Videoconference**

RELATING TO HOUSING COSTS

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 2226 makes an unspecified general fund appropriation in FY 23 to the Legislative Auditor to conduct an affordable housing cost study with assistance from the Hawai'i Housing Finance and Development Corporation. A report to the Legislature is due no later than 20 days prior to the convening of the 2023 Legislative Session.

B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and

- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.