

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

March 22, 2022 at 10:00 a.m.
State Capitol, Room 423

In consideration of
S.B. 3048 SD2
RELATING TO AFFORDABLE HOUSING.

HHFDC **strongly supports** S.B. 3048 SD2. This measure contains three key provisions:

1) Legacy Funds Transfer

It is necessary to transfer the tax-exempt GO bond proceeds from Rental Housing Revolving Funds (RHRF) to the Dwelling Unit Revolving Funds (DURF) so the funds can be deployed for affordable rental housing development. Per US Treasury regulations, tax-exempt funds cannot be used to finance projects that also use low-income housing tax credits (LIHTC). To be used on LIHTC projects, they need to be taxable GO bond proceeds. Once transferred to DURF, the funds can be used to fulfill HHFDC's existing infrastructure obligations in Villages of Kapolei and Waiahole Valley, or other government infrastructure projects.

2) RHRF Flexibility

The current statute allows RHRF to be applied to administrative expenses. This measure clarifies that the funds can be applied to the financing programs of the entire housing finance unit, when deemed necessary, similar to the language for DURF administrative expenses under HRS 201H-191.

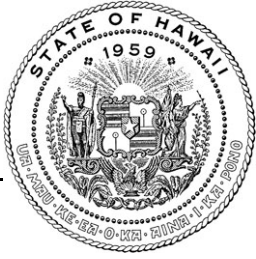
3) Housing Finance Specialist Position; Technology Upgrades Appropriation

HHFDC appreciates the additional position at the Housing Finance branch to keep up with the increasing demand for housing financing.

HHFDC also appreciates the appropriations for IT hardware, software, and digitization that will allow HHFDC to migrate from an independent computer network to the State network; modernize its dated computer hardware; improve videoconferencing for its board meetings; digitize its records; and acquire property inventory and lease management software.

In conclusion, this bill would help HHFDC to accommodate developer demand for affordable housing project financing efficiently and expeditiously, thereby breaking through a bottleneck to increase Hawaii's inventory of affordable housing.

Thank you for the opportunity to testify.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development and Tourism
before the
HOUSE COMMITTEE ON HOUSING
Tuesday, March 22, 2022
10:00 a.m.
State Capitol, Conference Room 423

in consideration of
SB3048, SD2
RELATING TO STATE FUNDS.

Chair Nakamura, Vice Chair Hashimoto, and Members of the Committee,
The Department of Business, Economic Development and Tourism (DBEDT)
strongly supports S.B. 3048, SD2. This bill would transfer historical, tax-exempt GO bond proceeds from the Rental Housing Revolving Fund (RHRF) to the Dwelling Unit Revolving Fund (DURF), where they may be used to finance public infrastructure.

Additionally, DBEDT supports this measure because it would allow HHFDC greater flexibility to use RHRF for necessary expenses in administering the Corporation's housing finance programs, similar to the language for the administrative expenses of DURF under HRS 201H-191. The need for housing is great and these investments will be instrumental in helping HHFDC to maximize its limited resources to increase Hawaii's inventory of affordable housing.

Thank you for the opportunity to testify.

DAVID Y. IGE
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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)

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WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HOUSING
ON
SENATE BILL NO. 3048, S.D. 2

March 22, 2022
10:00 a.m.
Room 423 and Videoconference

RELATING TO STATE FUNDS

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

Senate Bill No. 3048, S.D. 2, authorizes the transfer of excess moneys from the Rental Housing Revolving Fund (RHRF) to the Dwelling Unit Revolving Fund; provides that the RHRF may be used for the Hawai'i Housing Finance and Development Corporation's (HHFDC) housing finance programs; establishes 1.00 full-time equivalent Housing Finance Specialist position in HHFDC's Housing Finance Branch; and appropriates an unspecified amount of general funds for various hardware, software, and digitization efforts for HHFDC.

B&F notes that HHFDC's operations are funded primarily by revolving funds and usually does not receive general fund appropriations, except for an occasional grant. B&F suggests that rather than provide HHFDC with general funds for the hardware, software, and digitization efforts described in this bill, the Legislature may consider a non-recurring increase to HHFDC's budgeted revolving fund appropriation ceiling to accommodate these additional expenses for FY 23.

B&F also 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.