

**STATE OF HAWAI'I  
OFFICE OF HAWAIIAN AFFAIRS  
560 N. Nimitz Hwy, Suite 200  
HONOLULU, HI 96817**

**Minutes of the Office of Hawaiian Affairs Committee on Resource Management  
January 4, 2017 9:00am**

**Attendance**

Trustee Leina'ala Ahu Isa	Trustee Peter Apo (arrived 9:03 am)
Trustee Dan Ahuna	Trustee Colette Machado
Trustee Rowena Akana (arrived 9:04 am)	Trustee John Waihe'e IV (arrived 9:23am)
Trustee Keli'i Akina	

**Excused**

Trustee Robert K. Lindsey, Jr.

**Staff Present**

Kamana'opono Crabbe, CEO	Liana Pang
Lisa Victor, COO	Lisa Victor
Hawley Iona, CFO	Lora Lee Contreras
Alvin Akee	Makana Chai
Claudine Calpito	Maria Calderon
Davis Price	Mehana Hind
Dayna Pa	Miles Nishijima
Jocelyn Doane	Momilani Lazo
John Kim	Paul Harleman
Kawika Riley	Sterling Wong
Laurene Kaluau-Kealoha	U'ilani Tanigawa
Lehua Itokazu	

**GUESTS:**

Dallas Pa  
Keali'i Makekau

**I. CALL TO ORDER**

**Trustee Colette Machado** offers an Opening Prayer.

**Committee Chair Hulu Lindsey** – Calls the Committee on Resource Management to order on Wednesday, January 4, 2017 at 9:02am. Chair notes for the record that the following trustees are present and that Trustee Robert Lindsey, Jr. is excused.

		Present	Excused	Comments
TRUSTEE LEI	AHU ISA	X		
TRUSTEE DAN	AHUNA	X		
TRUSTEE ROWENA	AKANA			Arrived at 9:04am
TRUSTEE KELI'I	AKINA	X		
TRUSTEE PETER	APO			Arrived at 9:03am
TRUSTEE ROBERT	LINDSEY		X	
TRUSTEE COLETTE	MACHADO	X		
TRUSTEE JOHN	WAIHE'E			Arrived at 9:23am
CHAIRPERSON HULU	LINDSEY	X		
<b>TOTAL</b>		<b>5</b>		
At the Call to Order, there are five (5) Trustees present.				

## II. APPROVAL OF MINUTES

- A. September 13, 2016 (Workshop)
- B. September 14, 2016 (Workshop)
- C. September 28, 2016
- D. September 29, 2016
- E. October 12, 2016

<b>Chairperson Hulu Lindsey asks for a motion to approve all minutes dated:</b>							
September 13, 2016 (Workshop) September 14, 2016 (Workshop) September 28, 2016 September 29, 2016 October 12, 2016							
Motion is moved by <b>Trustee Dan Ahuna</b> and seconded by <b>Trustee Colette Machado</b> .							
		1	2	'AE (YES)	'A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEI	AHU ISA			X			
TRUSTEE DAN	AHUNA	X		X			
TRUSTEE ROWENA	AKANA						X
TRUSTEE KELI'I	AKINA			X			
TRUSTEE PETER	APO			X			
TRUSTEE ROBERT	LINDSEY						X
TRUSTEE COLETTE	MACHADO		X	X			

TRUSTEE JOHN	WAIHE'E					<b>X</b>
CHAIRPERSON HULU	LINDSEY		<b>X</b>			
<b>TOTAL VOTE COUNT</b>			<b>6</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>MOTION:</b> <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
<b>Motion passes with six (6) YES votes and three (3) EXCUSED votes.</b>						

**III. COMMUNITY CONCERNS / BENEFICIARY COMMENTS**

**Committee Chair Hulu Lindsey** notes that there are no Community Concerns or Beneficiary Comments.

**IV. NEW BUSINESS**

**A. RM #17-01: Approval of Increase in OHA's General Fund Personnel Biennium Budget FY 2017-2018/FY2018-2019**

**Committee Chair Hulu Lindsey** turns the time over to Pouhana.

**Ka Pouhana Kamana'opono Crabbe** greets the board, Chair Hulu Lindsey, and the members of the committee. He introduces the proposed Action Item: RM #17-01, "Approval of Increase in OHA's General Fund Personnel Biennium Budget FY 2017-2018/FY2018-2019" and calls upon Chief Financial Officer (CFO), Hawley Iona. He explains that this was a matter brought up in late November and early December. Pouhana asks the Trustees to recall earlier discussions – prior to the elections – with SPIRE regarding the increase in Fringe and other Halawa-Luluku matters and conversations regarding an increase of funds were not included; and are now returning before the Board for approval for consideration for several reasons: 1) to update the budget prior to testimony later this week, including the total operating budget in order to be prepared to have a dialogue with them. He also shares that they have been actively engaged with Ways and Means (WAM) and Budget and Finance and other legislators thanks to the outreach efforts of CFO, Hawley Iona, Chief Advocate, and Jocelyn Doane regarding OHA's budget. Many of the legislators and familiar with our budget and the most critical aspect is that the increase of Fringe has been passed on to OHA. In discussion with Senator Jill Tokuda, she encouraged us to increase that amount – in which CFO, Hawley Iona will further discuss.

**CFO Hawley Iona** extends her mahalo to ka Pouhana and the Chair, calling upon Chief Advocate Riley and Jocelyn, primarily because the discussions focus on how OHA will package the "ask" for the increase at the Legislature. She states echoes ka Pouhana in that this is a revision to our original "General Funds Budget." The revision itself is focused on an additional million dollar increase specific to personnel. In October, when the original General Funds action was approved by the board, it included a \$400,000 increase and was justified by the

conversations that had been occurring with OHA since early March 2016 where OHA was trying to grapple with the reality that the State had a significant unfunded liability regarding its retirement plans and systems; in support of retirees. CFO urges that this is really nothing new and that the big question for much of the State – including the Governor, legislators, and OHA – is really what the long term plan will be for ERS to determine how to remedy the significant unfunded liability over the next five years. Part of the conversation with Chairperson Senator Tokuda’s office did not specifically tell us to increase the funding, but encouraged us to take a closer look in knowing that the fringe number that we were using was about 50%, but then notified us - on that same November 30<sup>th</sup> meeting - that the number that all other State agencies were asked to budget at was 60%. Taking a close look at that reality, they provided us with documentation to view what all the other State agencies were being directed to do – which is why we’re back at the Board for consideration.

**Chairperson Hulu Lindsey** asks if there are any additional questions.

**Trustee Keli’i Akina** thanks Administration and communicates support for the realignment of OHA’s budget to take care of a potential liability. Trustee asks when we were made aware that the actual evaluation reports of ERS and EUTF would create a greater liability for us as it does sound like Administration became aware in conversation with Jill Tokuda on November 30<sup>th</sup>. To his understanding, other State agencies had a fairly good understanding of this and had been looking for the factoring in of this problem in earlier OHA financial documents – and could not find them in neither SPIRE’s work or OHA’s documents. He asks as a matter of planning, how early were you aware of this?

**Ka Pouhana Crabbe** responds by sharing that Administration, together with SPIRE and the Fiscal Sustainability Plan, as far as last year January to six months ago, administration was already planning 40% increase in fringe. Within the next several months - June, July, August – there was a realization that it would increase even further. The preparatory work for submitting Biennium Budgets begins in January – so by the time that Administration was aware of the 50%+ increase, it was beyond the Biennium Budget planning process. Even then, it was still in flux – SPIRE was assessing the actual figures so that there would be an accurate count. By the time Administration knew, and by the time Chief Advocate Riley and Jocelyn were at the Legislature, it was already September/October, and we needed to revise the Biennium Budget. Ultimately, Administration was aware as early as January, but the extent of the increase (50%+) was only within the past six months.

**CFO Iona** echoes Pouhana’s statement and reminds Trustees that OHA is on a Biennium Budget cycle and that planning for the current Biennium started about two years ago – in January 2015. During that period of time, Administration, through a prior Action Item, included a disclaimer stating that although they were aware of the State’s unfunded liability, they were not aware at that time, what the State would do in respect to placing the burden back upon individual State agencies – this was something that could not have been foreseen. At that point, you decide in a

two year budgeting cycle to either continue to fulfill the commitment to the programs that you have been funding or to anticipate a potential significant increase in personnel costs. At that point, the conversations focused on continuing the services and programs that we had been providing.

With that said, OHA was notified on June 25<sup>th</sup>, 2015 that the Fringe Rate had jumped to 42.99%. This was the exact same day that the Trustees approved our budget – this was unfortunate that this was the first real indication that Administration had that there would be a significant increase in cost burden and that it did not happen prior to the approval. In FY2016, Administration was able to remedy an almost \$600,000 personnel deficit that year through cost-cutting measures and reallocation within the budget. It was really this current Fiscal Year, FY2017, that the burden itself has really just become unbearable. In May/June, Administration asked for Board’s consideration to have \$800,000 from Fiscal Reserve to try and remedy the situation.

Moving forward, Administration is a lot more prepared in understanding that the fringe will be at 60%. It is also estimated that the Fringe will be more than 60%. CFO reminds the Trustees that OHA was notified of the 2<sup>nd</sup> jump in March 2016 and the following month included a conversation with Governor Ige in which he indicated quite similar surprise at the jump. No matter how the State could have prepared itself in creating a “Task Force” via Act 268 in 2013, it could have done more in highlighting the long term impact for individual agencies. Administration continues to assess information that is passed on to us, but unfortunately, is not timely. As a result, it seems that there is no other choice but to be reactive instead of proactive.

Kawika and his team have really taken on some kuleana to find a remedy and we have been working with other contacts to try and figure out why OHA is not on a “list” to be notified as Executive Branches are. Moving forward, our focus is on how to get these notifications and get them in a timely manner.

**Trustee Akina** thanks CFO and shares that he appreciates the frustration of the process as we are dealing with many variables. He states that he noticed that OHA was forced to be reactive rather than proactive – and that this is not to place blame, but to shine the light on process. When the budget was initially brought to the Board, a 37% Fringe Benefit Rate Assumption was included, but you aware in June 2015 that it would be 42.9% and potentially rising – was there any footnote or discussion to the Board that we were in this kind of predicament in terms of the fringe benefit rate?

**CFO Iona** apologies if she misspoke – she reconfirms that they were informed on the same day that the Board approved the two year budget on June 25, 2015 – which means OHA was not notified ahead of time of the increase – other than what was actually done: incorporating this knowledge in the first realignment for Fiscal Year 2016.

**Trustee Leina‘ala Ahu Isa** begins speaking, but is inaudible. Trustee shares that as a Quasi-Semi-Autonomous State agency, perhaps the State did not know what to do with us, and thus, the

reason OHA was not notified. On the Board of Education in 2011, the DOE was notified that BNF was no longer going to handle this – before this was BNF’s responsibility. Before, retirees did not have to pay anything, but there has been a slow increase in payment by the employees. As a retiree, Trustee explains that there may be another problem – Maui Health System. She explains that the IRS may begin taxing the base because retirees do not pay taxes on retirement and social security – this may further raise our portion later.

**Trustee Colette Machado** directs the Trustees to page 3 of the Action Item, explaining that this funding only covers 62 employees and asks how we compensate for the additional 140.

**CFO Iona** explains that the General Funds Budget generally only accounts for 62 FTEs of the 179 that is authorized by the Board. This means that the larger burden will hopefully be assumed by the State and will offset those that are not partially funded by the state. It is still a partial funding, but OHA is asking to take on a larger burden to make up for what the State is not funding. She reminds Trustees that the \$1.4 million – or any costs that get picked up by General Funds – has an added benefit of having the associated personnel fringe cost assumed by the State.

**Trustee Machado** thanks Ms. Iona for the clarification and again points to page 3 asking about the testimony that Trustee Akana approved for submittal as part of this request.

**Chief Advocate Kawika Riley** confirms that OHA’s testimony has been submitted.

**Trustee Machado** requests that the testimony be shared with the rest of the Board.

**Chief Advocate Riley and Ka Pouhana Crabbe** agree.

**CFO Iona** confirms that the testimony was submitted to Chairperson Akana’s office last Friday. Unfortunately, it was not submitted before the deadline of Friday, hoping that Chair Akana’s staff is in the process of distributing the testimony to the Board. She also confirms that it has already been distributed to the legislators.

**Ka Pouhana Crabbe** shares that he believes that some of the discussions are warranted – in terms of our oversight to be more proactive than reactive. He further shares that OHA has spent two years with the Fiscal Sustainability Plan highlighting that the model is indeed proactive. It allows OHA to consider future projections and shows increases and decreases in the budget along with their impact on other areas of the organization. This helped Administration to understand how the model works and what adjustments need to be made.

Secondly, he confirms that this trend will not change. This perhaps calls for future discussions about OHA’s status as a semi-autonomous agency - looking at other models for autonomy; not necessarily removing us from State structure, but giving us more flexibility to move forward as an organization, including managing our own accounting.

**Jocelyn Doane** greets the Board and clarifies with the Trustees in regards to OHA’s Budget Bill. She reminds the Board that they have already approved an earlier version of the Budget, included in the Bill and if this action will be approved today, will be inconsistent with the Budget Bill. With notification in November of the additional increase in Fringe rate, their team has worked on a new version of the Bill that would be consistent with the Action Item in front of the Board today. Assuming that the Action Item passes today, the package will be submitted to the Senate President and the Speaker of the House tomorrow including the budget that the Board approves today. For technical purposes, the Board will need to approve the Bill itself in BAE committee.

**Chairperson Hulu Lindsey** asks for further questions.

<b>Trustee Machado</b> moves that the Committee on Resource Management approves and recommends that the Board of Trustees approve OHA’s revised General Funds Budget of \$4,521,574 to fulfill its requirement of submitting OHA’s FY Biennium Budget Bill to the State Legislature for the FY2017-2018 and FY2018-2019 period.						
	<b>1</b>	<b>2</b>	<b>‘AE (YES)</b>	<b>‘A‘OLE (NO)</b>	<b>KANALUA (ABSTAIN )</b>	<b>EXCUSED</b>
TRUSTEE LEI AHU ISA			X			
TRUSTEE DAN AHUNA		X	X			
TRUSTEE ROWENA AKANA			X			
TRUSTEE KELI‘I AKINA			X			
TRUSTEE PETER APO			X			
TRUSTEE ROBERT LINDSEY						X
TRUSTEE COLETTE MACHADO	X		X			
TRUSTEE JOHN WAIHE‘E			X			
CHAIRPERSON HULU LINDSEY			X			
<b>TOTAL VOTE COUNT</b>			<b>8</b>			
<b>MOTION:</b> <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
<b>Motion passes with eight (8) YES votes and one (1) EXCUSED vote.</b>						

**Chairperson Hulu Lindsey** asks if OHA has a presentation for the Legislature on Friday.

**CFO Iona** confirms that the meeting at 9:00am at the Legislature to the Committee on Ways and Means. She also shares that there will be an additional briefing with House.

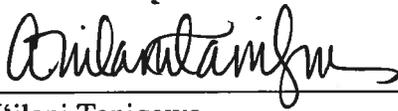
**V. ANNOUNCEMENTS**

**Chairperson Hulu Lindsey** asks if there are any announcements. Hearing none, she moves to Adjourn.

**VI. ADJOURNMENT**

<b>Chairperson Hulu Lindsey moves to adjourn</b>						
	<b>1</b>	<b>2</b>	<b>'AE (YES)</b>	<b>'A'OLE (NO)</b>	<b>KANALUA (ABSTAIN)</b>	<b>EXCUSED</b>
<b>TRUSTEE LEI AHU ISA</b>			<b>X</b>			
<b>TRUSTEE DAN AHUNA</b>			<b>X</b>			
<b>TRUSTEE ROWENA AKANA</b>			<b>X</b>			
<b>TRUSTEE KELI'I AKINA</b>			<b>X</b>			
<b>TRUSTEE PETER APO</b>		<b>X</b>	<b>X</b>			
<b>TRUSTEE ROBERT LINDSEY</b>						<b>X</b>
<b>TRUSTEE COLETTE MACHADO</b>			<b>X</b>			
<b>TRUSTEE JOHN WAIHE'E</b>			<b>X</b>			
<b>CHAIRPERSON HULU LINDSEY</b>	<b>X</b>		<b>X</b>			
<b>TOTAL VOTE COUNT</b>			<b>8</b>			
<b>MOTION: <input type="checkbox"/> UNANIMOUS <input checked="" type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED</b>						
<b>Motion passes with eight (8) YES votes and one (1) EXCUSED vote.</b>						

Respectfully Submitted,



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A. U'ilani Tanigawa  
Trustee Aide  
Committee on Resource Management

As approved by the Committee on Resource Management on January 19, 2017.



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Trustee Carmen Hulu Lindsey  
Committee Chair  
Committee on Resource Management

ATTACHMENTS:

- Excused Absence Memo