

**COMMUNITY DEVELOPMENT ASSESSMENT
FOR
THE STATE OF HAWAII**

**A GUIDE TO HAWAII'S
COMMUNITY DEVELOPMENT ENVIRONMENT**

COMMUNITY DEVELOPMENT DEPARTMENT
FEDERAL RESERVE BANK OF SAN FRANCISCO

FOREWORD

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The Community Affairs Department of the Federal Reserve Bank of San Francisco has developed a new series of reports for the nine states in the Twelfth District that both detail the demographic, economic, governmental, and institutional underpinnings of each state and provide an analysis of the various community development needs within each state. These reports, which we are calling “Environmental Assessments,” are meant to provide a framework for the array of community development activities that the department undertakes across the District. The hope is that the reports will not only provide a helpful compilation of existing community development needs and resources for each state, but will also allow us to target our time and resources to those areas that both show the greatest need and offer the opportunity for the most meaningful role.

We hope that you will find these Environmental Assessments useful and that the information presented will enhance your understanding of the state of community development in each location.

We look forward to your comments and suggestions.

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METHODOLOGY

In an attempt to provide a framework for performing our own community development work, the Community Affairs Department of the Federal Reserve Bank of San Francisco has produced separate reports entitled “environmental assessments” for each of the nine states which comprise the Federal Reserve’s Twelfth District: Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, and Utah. Each report is divided into two sections: one covering the overall “Community Development Environment” in the state, and the other covering the “Community Development Needs and Resources” in the state. These environmental assessments are intended to bring together available research and information in both of these areas.

Specifically, the chapters in the “Community Development Environment” section cover the demographic, economic, governmental, and institutional underpinnings in each state, providing detail such as each state’s industrial structure, economic outlook, banking system, nonprofit groups, and government departments involved in community development. In the second section, each report delves into four separate areas of “Community Development Needs and Resources:” affordable housing, small business, poverty and asset accumulation, and issues specific to native people and immigrants.

A key resource for both the data and the approach taken in this effort was the *2002 State Asset Development Report Card*, published by an influential research and advocacy organization, CFED (formerly known as the Corporation for Enterprise Development). CFED’s report analyzes a great deal of data on a range of factors affecting asset accumulation and poverty for each state in the nation. The CFED report divides its analysis into separate evaluations of “Asset Outcomes” and “Asset Policies” for each state, producing an overall grade (A, B, C, D, or F) for each. Not only do our reports reference virtually all of the individual rankings which feed into CFED’s two overall grades, but they also follow a somewhat similar approach in dividing each of the community development areas in each state (affordable housing, small business, poverty and asset accumulation, and native people and immigrant issues) between “needs” and “resources” in a manner similar to CFED’s “Asset Outcomes” and “Asset Policies.”

The reports then build on these CFED comparisons by drawing on the considerable resources already produced by a variety of national and local organizations in these subject areas for each state, pulling together their major data, analyses, and conclusions into one single report. The reports were designed by Scott Turner, who managed the project, with additional oversight and editing by Jack Richards. This Hawaii Environmental Assessment was written by Scott Turner and a second year student from the Goldman School of Public Policy at the University of California, Berkeley, Anne McDonough-Hughes. Websites referenced in this report were accessed between September and December of 2004, and we have attempted to provide accurate links to content referenced, although content and/or location may change over time. We should note here that while the Federal Reserve Bank of San Francisco sponsored these environmental assessments, they reflect only the views of the author.

We gratefully acknowledge the community development practitioners in each state who agreed to review drafts of these reports and provide helpful feedback. In addition, we have attempted to ensure there are no errors or omissions in this report, but encourage you to contact us if you believe important changes are warranted. Please contact us by the end of February 2005, and we will be pleased to make appropriate revisions and post an edited version of the reports on our website in March 2005.

CONCLUSIONS

COMMUNITY DEVELOPMENT ENVIRONMENT

1. Demographics

Hawaii, with only 10,932 square miles, is the 43rd largest state in total area,¹ and its 2003 population of nearly 1.3 million makes it only **the 42nd largest state in population.**² Hawaii's population increased by 3.8% between 2000 and 2003, a slightly greater increase than the U.S. overall, although **the state's population grew more slowly than the nation overall between 1990 and 2000.**³ When it comes to race and ethnicity, Hawaii varies substantially from the U.S. as a whole. Only 24.3% of Hawaii's population is White, less than one third of the level for the U.S., and more than 40% of Hawaii's residents are Asian, compared to 3.6% for the U.S.⁴

2. Economy

Hawaii's economy is dominated by tourism and, to a much lesser extent, military and agriculture.⁵ The state's **economy stagnated during much of the 1990's** as economic difficulties in California and Japan hurt the critical tourism sector and plantation and sugar mill closings hurt the agricultural industry. The tourism sector finally began to turn around in 1999, only to be severely impacted by the events of September 11th.⁶ **In recent months, though, economic conditions have been improving,** led by expansion in the tourism and construction sectors.⁷ Hawaii ranked fourth nationwide for job growth during the second quarter of 2004,⁸ and the state's economy is expected to continue its strong performance in the near future. However, in the longer term, growth prospects are less positive, due to the high cost of doing business in the state and the state's dependence on tourism.⁹

3. Government and Financial Sectors

Hawaii has a uniquely centralized state and local governmental structure consisting primarily of only the state government, three county governments, and one combined city/county government. Hawaii's county governments perform most services usually

¹ Netstate.com, *The Geography of Hawaii*, http://www.netstate.com/states/geography/hi_geography.htm

² U.S. Census Bureau, *Statistical Abstract of the United States: 2003*, <http://www.census.gov/statab/www/ranks.html>.

³ U.S. Census Bureau, *Hawaii QuickFacts*, <http://quickfacts.census.gov/qfd/>.

⁴ U.S. Census Bureau, Census 2000 Data, <http://www.census.gov/main/www/cen2000.html>.

⁵ Housing and Community Development Corporation of Hawaii (HCDCH), *Hawaii Housing Policy Study, 2003- Executive Summary*, August 2003, p. 2.

⁶ La Croix, Sumner. *Economic History of Hawai'i*, EH.Net Encyclopedia, edited by Robert Whaples. September 2001, <http://eh.net/encyclopedia/?article=lacroix.hawaii.history>.

⁷ Economy.com, *Hawaii State Profile*, August 2004.

⁸ FDIC, *Hawaii State Profile*, Fall 2004.

⁹ Economy.com.

associated with cities and towns.¹⁰ **Despite high debt levels,¹¹ the state enjoys solid credit ratings.**¹² In the financial sector, Hawaii is served by 10 insured depository institutions, although the two largest control almost 60% of FDIC-insured deposits in the state.¹³ Hawaii's banks are also complemented by 99 credit unions, which together control 16.2% of total deposits in the state.¹⁴ Finally, Hawaii also has 14 certified Community Development Financial Institutions,¹⁵ which combined had more than \$2.5 million in financing outstanding to 1,279 customers in the state at the end of FY 2002.¹⁶

COMMUNITY DEVELOPMENT NEEDS AND RESOURCES

1. Affordable Housing

Hawaii's top community development need is affordable housing, both rental and ownership. The state ranks **among the worst in the nation in terms of the severity of need for low-income rental housing,** with the state government currently able to produce only a very small fraction of the needed affordable rental units.¹⁷ Similarly, **Hawaii is nearly the worst in the nation in its rate of homeownership,** although the state's rate has increased from 53.9% in 1990¹⁸ to 57.4% in 2002. However, it may be difficult for this increase to continue, as several factors in recent years have combined to cause a substantial increase in housing prices.¹⁹ While **the state can be credited with a number of important housing programs,** including a state housing trust fund and various homebuyer assistance programs,²⁰ far more effort is needed in this area.

2. Small Business

Small businesses are critical to the Hawaiian economy, with 12% of employment found in firms with fewer than 10 employees, a fairly large share relative to the U.S. average. Moreover, **the level of entrepreneurship is high,** with 12.6% of the state's workforce owning a business. The state also exhibits **strong levels of business ownership by minorities and women.**²¹ However, despite its small business achievements, Hawaii ranks low in its level of private loans to small business, and **there**

¹⁰ Department of Business, Economic Development and Tourism (DBEDT), State of Hawaii, *Facts and Figures - State of Hawaii*, p. 3.

¹¹ Moody's Investors Service, *Moody's Assigns Aa3 Rating to Hawaii's GO Bonds*, April 2004.

¹² California State Treasurer's Office, *Comparison of Other States' General Obligation Bond Ratings*, December 2004.

¹³ FDIC, *Deposit Market Share Report: Hawaii*, June 2004.

¹⁴ Hawaii Credit Union League, *Credit Union Fact Sheet*, http://www.cuna.org/download/hawaii_fs.pdf.

¹⁵ CDFI Fund, U.S. Department of the Treasury, *Certified CDFI's - Alphabetical by State and County*, November 2004.

¹⁶ CDFI Coalition, *CDFIs in Hawaii: 2004 Fact Sheet*, <http://www.cdfi.org/states/Hawaii2004.pdf>.

¹⁷ HCDCH, p. 7.

¹⁸ Ibid, p. 3.

¹⁹ Ibid, p. 6.

²⁰ CFED, *State Asset Development Report Card (SADRC)*, 2002, p. 42.

²¹ Ibid, p. 109-110.

is a documented need for capital for small businesses.²² The cost of doing business in the state is also high at 114% of the national average.²³ Finally, the overall vitality and development capacity of the business sector in Hawaii is below average, with the state exhibiting particular weaknesses in areas such as infrastructure resources and energy cost.²⁴

3. Poverty and Asset Accumulation

In poverty and asset accumulation, Hawaii's results are also mixed, but the underlying deficiencies are quite serious. Hawaii's overall poverty rate is slightly lower than the U.S. average, and the state ranks in the middle of the states on this measure. Additionally, the state ranks first nationally in mean net worth, although this statistic is particularly influenced by high home prices.²⁵ However, while high home prices support the overall level of household net worth, the state's mean net worth ranking masks serious problems. Chief among these problems is the state's ranking as among the worst in the nation in its percentage of households with zero or negative net worth, which indicates a high level of people living at the margin and underscores the importance of mechanisms, such as IDA programs, to help boost savings.

4. Native Hawaiians and Immigrants

Finally, Hawaii has its own unique community development needs centered on its Native Hawaiian population and its immigrant people. The state's large Native Hawaiian/Pacific Islander population, which at 9.4% of the state's population is larger than most state's Native populations, is poorer than the non-native population and has greater housing needs.²⁶ Hawaii also has a large proportion of foreign-born residents, the fourth highest proportion nationally. Overall, Hawaii's immigrants are more likely to be U.S. citizens than immigrants nationwide and less likely to live in poverty,²⁷ but recently-arrived immigrants and refugees face multiple transitional problems and are often hindered by language and culture barriers. While a number of institutions in the state provide support to both groups, clearly additional housing and other services—including in areas such as financial education—are critically needed.

²² Hawaii Business Research Library and Hawaii Small Business Development Center (SBDC) Network, *The State of Small Business Hawaii 2003*, p. 8.

²³ Economy.com.

²⁴ CFED, *2004 Development Report Card for the States*, <http://drc.cfed.org/grades/hawaii.html>.

²⁵ CFED, *SADRC*, p. 42.

²⁶ U.S. Census Bureau, Census 2000 Data.

²⁷ Ibid.

STATE OF HAWAII
SELECTED COMMUNITY DEVELOPMENT INDICATORS

<i>Affordable Housing</i>	<i>Rate</i>	<i>State Rank</i>
Homeownership Rate ²⁸	57.4%	49 th
Rental Affordability Rate ²⁹	--	41 st
Severely Cost-Burdened Renter Households ³⁰	23.4%	36 th
<i>Small Business</i>		
Small Business Employment Rate ³¹	12.0%	17 th
Entrepreneurship Rate ³²	12.6%	18 th
Level of Private Loans to Small Businesses ³³	--	43 rd
<i>Poverty and Asset Accumulation</i>		
Poverty Rate ³⁴	10.7%	23 rd
Households with Zero Net Worth ³⁵	18.1%	47 th
Personal Bankruptcy Rate ³⁶	7.9	5 th
<i>Native Hawaiians/Pacific Islanders and Immigrants</i>		
Native Hawaiian/Pacific Islander Population ³⁷	9.4%	--
Native Hawaiian/Pacific Islander Poverty Rate ³⁸	21.4%	--
Foreign-Born Population ³⁹	17.5%	4 th
Foreign-Born Poverty Rate ⁴⁰	12.7%	--

²⁸ U.S. Census Bureau, *U.S. Statistical Abstract 2003*; represents the percentage of housing units that are occupied by owners, ranked from highest percentage (1st)

²⁹ NLIHC; rank is calculated based on a weighted average of the state's median gross rent, renter market affordability ratio, and percent of severely cost-burdened renters, ranked from most affordable (1st)

³⁰ NLIHC; *Up Against a Wall*, November 2004; represents the percentage of renter households in the state spending more than 50% of their income on rent in 2003, ranked from lowest percentage (1st)

³¹ U.S. Census Bureau, *County Business Patterns 2001*; represents the share of total state employment attributable to firms with fewer than 10 employees, ranked from highest share (1st)

³² CFED, *SADRC*; represents the percentage of the labor force that owns employer and non-employer firms as of 2000, ranked from highest percentage (1st)

³³ Ibid; represents the dollar amount of private business loans under \$1 million per worker, ranked from highest amount (1st)

³⁴ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2003*; represents the average percent of people living below the federal poverty level during the period from 2001 to 2003, ranked from lowest percentage (1st)

³⁵ CFED, *SADRC*; represents the percentage of households with zero or negative net worth, ranked from lowest percentage (1st)

³⁶ American Bankruptcy Institute; represents personal bankruptcy filings in 2003 per thousand households in the state, ranked from fewest filings (1st)

³⁷ U.S. Census Bureau, *Census 2000*; represents the percentage of the state's population composed of Native Hawaiians and other Pacific Islanders (only)

³⁸ Ibid; represents the percentage of Native Hawaiian and other Pacific Islander (only) individuals living below the federal poverty level at any time in 1999

³⁹ Ibid; represents the percentage of the state's population composed of foreign-born individuals, ranked from highest percentage (1st)

⁴⁰ Ibid; represents the percentage of foreign-born individuals living below the federal poverty level at any time in 1999

very slow growth in Honolulu County, the state's most populous county, held down the state's average growth rate.⁴⁴

1990 and 2000 Population by County

<i>County</i>	<i>1990 Population</i>	<i>2000 Population</i>	<i>% Change</i>
Statewide	1,108,229	1,211,537	9.3%
Hawaii	120,317	148,677	23.6%
Honolulu	836,231	876,156	4.8%
Kalawao	130	147	13.1%
Kauai	51,177	58,463	14.2%
Maui	100,374	128,094	27.6%

Source: U.S. Census Bureau, Census 2000 and 1990 Data.

The Island of Oahu, also known as Honolulu County, is the most inhabited island in the State of Hawaii. In 2002, Honolulu County held 72% of Hawaii's population, 69% of Hawaii's private sector establishments, 71% of Hawaii's available civilian labor, and 72% of Hawaii's private sector employment.⁴⁵

The population of Hawaii is slightly older than that of the U.S. as a whole, with a median age of 36.2, compared to 35.3 for the U.S. Individuals aged 0-14 account for 20.4% of Hawaii's population, compared to 21.4% of the U.S. overall, while the proportion of Hawaii's population that is 65 and over (13.3%) is slightly higher than that of the U.S. (12.4%).⁴⁶

3. Metropolitan Statistical Areas

Based on the federal guidelines published by the Office of Management and Budget (OMB), **Hawaii has one metropolitan statistical area (MSA) and three micropolitan statistical areas**. MSAs are areas that are made up of one or more whole counties and have at least one urbanized area of 50,000 or more population. Micropolitan statistical areas are those with at least one urban cluster of between 10,000 and 50,000 population.⁴⁷ The table on the following page lists the state's current metropolitan and micropolitan statistical areas and their populations as of 2003.

⁴⁴ U.S. Census Bureau, Census 2000 and Census 1990 Data, <http://www.census.gov/>.

⁴⁵ Enterprise Honolulu, *Hawaii Economy*, <http://www.enterprisehonolulu.com/honolulu/hawaii-economy.cfm>.

⁴⁶ U.S. Census Bureau, *Hawaii QuickFacts*.

⁴⁷ White House Office of Management and Budget, *OMB Bulletin 03-04 Attachment: Metropolitan Statistical Areas, Micropolitan Statistical Areas, Combined Statistical Areas, New England City and Town Areas, and Combined New England City and Town Areas -2003*, http://www.whitehouse.gov/omb/bulletins/b03-04_attach.pdf.

Hawaii's Metropolitan and Micropolitan Statistical Areas

<i>Metropolitan/Micropolitan Area</i>	<i>Type</i>	<i>Counties Included</i>	<i>2003 Population</i>
Hilo	Micropolitan	Hawaii County	158,000
Honolulu	Metropolitan	Honolulu County	903,000
Kahului-Wailuku	Micropolitan	Maui County	136,000
Kapaa	Micropolitan	Kauai County	61,000

Source: U.S. Census Bureau, *Statistical Abstract of the United States: 2004-2005*.

4. Race and Ethnicity

When it comes to the racial and ethnic composition of its population, Hawaii varies substantially from the U.S. as a whole. **Only 24.3% of Hawaii's population identifies as White (only), less than one third of the level for the U.S. as a whole. More than forty percent of Hawaii's residents identify as Asian (only),** compared to 3.6% for the U.S. as a whole, and another 9.4% of the State's population is Native Hawaiian/Other Pacific Islander. Hawaii also has a **much lower proportion of Black/African American residents than the U.S.,** and only 0.3% of its population is American Indian/Native Alaskan, compared to 0.9% for the U.S. as a whole. Nearly 18% percent of Hawaii residents are foreign born, compared to 11% of U.S. residents, and 26.6% speak a language other than English at home, compared to only 17.9% on average in the U.S.⁴⁸

Race and Ethnicity in Hawaii

<i>Race</i>	<i>Number in Hawaii Population</i>	<i>% of Hawaii Population</i>	<i>% of U.S. Population</i>
White (only)	294,102	24.3%	75.1%
Black/African American (only)	22,003	1.8%	12.3%
Asian (only)	503,868	41.6%	3.6%
American Indian/Native Alaskan (only)	3,535	0.3%	0.9%
Native Hawaiian/Pacific Islander (only)	113,539	9.4%	0.1%
Some other race (only)	15,147	1.3%	5.5%
Two or more races	259,343	21.4%	2.4%
Persons of Hispanic or Latino Origin*	87,699	7.2%	12.5%

Source: U.S. Census Bureau, Census 2000 Data.

*Persons of Hispanic or Latino Origin may be of any race

5. Educational Attainment

Educational attainment for adults in Hawaii is somewhat higher than that for the U.S. as a whole; 87.8% of state residents aged 25 and over have completed high school and 28.2% have a bachelor's degree or higher, compared to 83.6% and 26.5%, respectively, for the U.S. as a whole. **Hawaii ranks 17th in the country in the percentage of adults who have completed high school and 15th in the percentage of adults with a bachelor's degree or higher** (with first being the highest).⁴⁹

⁴⁸ U.S. Census Bureau, Census 2000 Data, <http://www.census.gov/main/www/cen2000.html>.

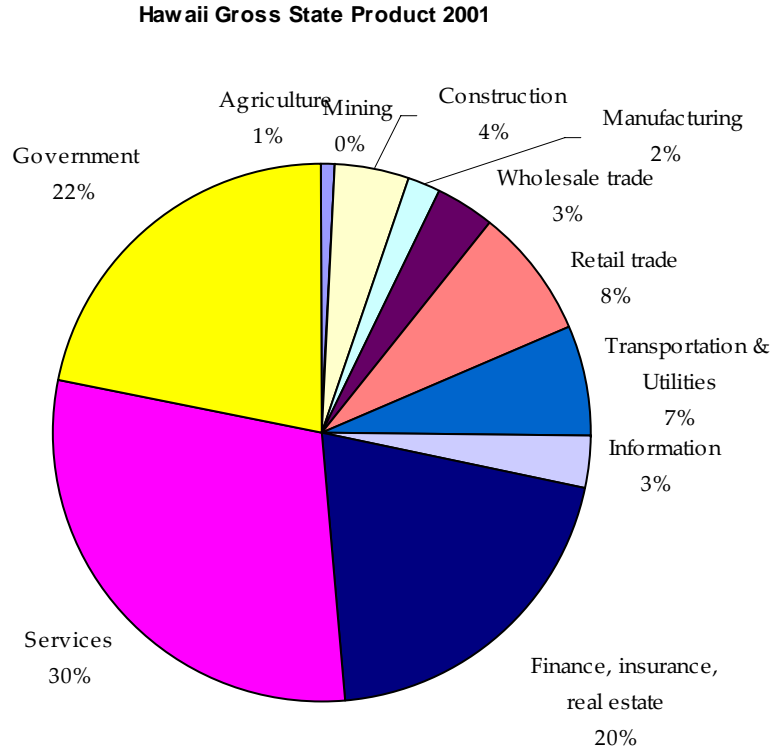
⁴⁹ U.S. Census Bureau, 2003 American Community Survey Data, <http://www.census.gov/acs/www/>.

II. ECONOMY

A. ECONOMIC STRUCTURE

1. Major Industries

Gross state product (GSP) is one of the most-frequently used comprehensive measures of an economy. It is defined as the value added in production by the labor and property located in a state, and is derived as the sum of the GSP originating in all industries in the state. The Bureau of Economic Analysis (BEA) reports GSP estimates approximately 18 months after the end of each year. **Hawaii's GSP for 2003, the most recent year available, was \$47.1 billion, ranking the state 41st in the nation.** The state's per capita GSP for the same year was \$37,425, higher than the U.S. average of \$36,376, ranking the state 18th in the U.S. on that measure.⁵⁰ The chart below shows the breakdown of Hawaii's 2001 GSP by sector.



Source: Bureau of Economic Analysis

Leading sectors in Hawaii's economy include tourism, military, and agriculture, each of which is explained in more detail on the following pages.

⁵⁰ Bureau of Economic Analysis, *2003 and 2001 Gross State Product*, <http://www.bea.doc.gov/bea/regional/data.htm>.

a. Tourism

Hawaii's temperate climate and spectacular natural beauty have made **the tourism industry the largest and strongest contributor to the state economy**. In 2003, Hawaii's travel and tourism sector was expected to produce \$10.7 billion (22.4% of Hawaii's GSP), account for approximately 171,200 jobs (21.7% of total employment for the state), and contribute \$1.08 billion in tax revenues to the state and county government (24.1% of total state and county tax revenues).⁵¹ **Tourism in Hawaii slowed dramatically after September 11th**, and was then again affected in 2003 by the beginning of the war in Iraq and fears of SARS, but **the industry appeared to be making a sustained comeback as of late 2004**.⁵²

For the first 10 months of 2004 (January through October), Hawaii had nearly 5.8 million visitor arrivals, up 8.8% from the same time period in 2003. By country, the majority of visitors were from the U.S. (nearly 4 million of the 5.8 million total), although sizable portions also came from Japan (1.2 million) and Canada (168,550). Total visitor expenditures in 2004 were also up over 2003, totaling \$8.5 billion in the first 10 months of the year, compared to slightly less than \$8 billion for the same time period in 2003. Average daily visitor expenditures broken out by nationality were:

- U.S. West: \$142
- U.S. East: \$163
- Japan: \$246
- Canada: \$123⁵³

In 2003, shopping was the most popular tourist activity engaged in, with at least 95% of visitors from all countries shopping at some point on their vacations. Sightseeing was the number two activity, with self-guided tours, tour bus excursions, and boat /submarine/whale watching tours being the three most popular sightseeing activities.⁵⁴

As would be expected in the context of renewed vigor in the tourism industry, occupancy rates and average daily room rates in Hawaii were up in 2003 over 2002 levels, with occupancy increasing by 2.7 percentage points and average room rates increasing by 2.8%. However, as of the end of 2003, neither occupancy rates nor average daily room rates had reached the levels of 2000.⁵⁵ The table on the following page provides the

⁵¹ Hawaii Tourism Authority, *2003 Annual Report to the Hawaii State Legislature*, October 2003, <http://www.hawaii.gov/tourism/>, p. 24.

⁵² Economy.com, *Hawaii State Profile*, August 2004.

⁵³ DBEDT, *Monthly Visitor Statistics, Table A: Summary of Visitor Statistics: October 2004 (Prelim)-State*, October 2004, http://www2.hawaii.gov/dbedt/index.cfm?section=READ_VisitorStatistics532.

⁵⁴ DBEDT, *2003 Visitor Satisfaction and Activity Report*, http://www2.hawaii.gov/DBEDT/images/User_FilesImages/visitorstats/Satisfaction_Report/2003_VSAT_Report_final_web_a1119.pdf, p. 43-46.

⁵⁵ DBEDT, *Annual Visitor Research Report: 2003*, http://www2.hawaii.gov/DBEDT/images/User_FilesImages/visitorstats/annual/2003AnnualVisitorsResearchReportFinal_a1393.pdf, pp. 108-110, 112.

number of hotel and condominium units, hotel occupancy rates, and average daily room rates for 2003.

Hawaii Tourism Statistics - 2003

<i>Island</i>	<i>Hotel/Condo Units</i>	<i>Occupancy Rates</i>	<i>Average Daily Room Rates</i>
Hawaii	9,478	65.3%	\$163.23
Kauai	7,257	76.1%	\$152.91
Lanai	368	n/a	n/a
Maui	17,911	74.2%	\$186.96
Molokai	299	n/a	n/a
Oahu	35,664	73.1%	\$116.25
Statewide	70,977	72.5%	\$144.44

Source: DBEDT, *Annual Visitor Research Report: 2003*, pp. 108-110, 112.

Tourism in Hawaii was boosted by the creation of the Hawaiian Tourism Authority in 1998 and the opening of the Hawaii Convention Center, enabling the state to consolidate and focus its marketing and promotion resources.

b. Military

Hawaii's military presence provides a continuing and stable source of employment and income, helping to support the state's volatile tourist-based economy. **The U.S. Department of Defense is the second largest source of revenue to Hawaii**, behind only tourism. In FY 2003, total defense expenditures in Hawaii were \$4.5 billion, an increase of 13.1% over FY 2002. **Hawaii ranks second nationally in per capita federal defense spending**, with expenditures of \$3,566 per person.⁵⁶ All five U.S. military services have a presence in Hawaii, and the state is also home to the U.S. Pacific Command (USPACOM). USPACOM is geographically the largest of the U.S. unified service commands. It covers about 50% of the earth's surface from the U.S. West Coast to Africa's east coast and from the Arctic to the Antarctic.⁵⁷

Federal defense spending also contributes to above-average government employment, **with total government employment comprising 21.0% of non-farm employment, compared to 16.6% nationwide.**⁵⁸ In 2003, four of the state's five largest employers were military installations (Pearl Harbor Naval Complex, Schofield Barracks & Fort Shafter, Kaneohe Bay Marine Corps, and Hickman Air Force Base).⁵⁹ Defense contractors are also another important source of employment, as every major defense contractor has local staffing in Hawaii.⁶⁰ The military presence in Hawaii may continue to increase in the future, with the Pentagon considering several projects in the state, including locating a Stryker Brigade Combat Team in the state and permanently moving an aircraft carrier from the mainland to Pearl Harbor. These and/or other projects would

⁵⁶ DBEDT, *Advantages to Hawaii: Hawaii-Based Armed Forces Benefit All of Us*, January 2004, <http://www.cochawaii.com/upload/MILITARYIMPACT.pdf>.

⁵⁷ U.S. Pacific Command, *About U.S. Pacific Command*, <http://www.pacom.mil/about/history.shtml>.

⁵⁸ Economy.com, *Hawaii State Profile*, August 2004.

⁵⁹ Ibid.

⁶⁰ DBEDT, *Advantages to Hawaii*.

bring new residents to the state to enhance its labor force and create growth in the retail, services, and housing markets.⁶¹

c. **Agriculture**

Once Hawaii's primary source of income, **agriculture remains a significant contributor to the state's economy, accounting for approximately \$352 million of the state's GSP in 2001.**⁶² Most of Hawaii's 5,500 farms are small farms, with 92% under 99 acres and 56% ringing up less than \$10,000 in sales in 2002. Agricultural sales are split relatively evenly between Hawaii (35.2% of sales), Honolulu (33.6%), and Maui (23.3%) Counties. In 2003, the state's top agricultural commodities were pineapples, greenhouse/nursery products, cane for sugar, macadamia nuts, and coffee, and its top export commodities were fruits and preparations, other crops, tree nuts, wheat and products, and feeds and fodders.⁶³ There are also 70 aquaculture farms statewide, often diversified, producing a value of \$25.2 million (of which algae equals \$10.5 million, shellfish \$8.2 million, and finfish, \$2.7 million).⁶⁴ Overall, however, Hawaii ranks only 41st-highest among the states in the value of its agricultural exports.⁶⁵

2. **Economic Diversification**

Hawaii's economy is heavily dependent on the military and tourism, making it very vulnerable to changing economic conditions throughout the U.S.⁶⁶ **Measures of industrial diversity suggest that the state's economy is among the least diverse in the nation.** CFED ranked Hawaii fifth-worst in industrial diversity in its *2004 Development Report Card for the States*,⁶⁷ and Economy.com gave the state a rating of .46 on industrial diversity in August 2004, where a 0 is the least diverse and a 1.0 is the most diverse (reflecting the U.S. as a whole).⁶⁸ However, according to the Department of Business, Economic Development and Tourism, Hawaii is committed to diversifying its economy and is encouraging the following sectors: science and technology, film and television production, sports, ocean research and development, health and education tourism, diversified agriculture and floral, and specialty food products.⁶⁹ A number of initiatives have been launched to encourage new industries, including tax incentives, tax credits, and a favorable regulatory environment for technology-based companies, which

⁶¹ Economy.com, *Hawaii State Profile*, December 2003.

⁶² BEA, *2001 State Gross Product*.

⁶³ Economic Research Service, USDA, *State Fact Sheets: Hawaii*, December 2004, <http://www.ers.usda.gov/statefacts/HI.htm>.

⁶⁴ DBEDT, *State of Hawaii Data Book*, 2003, Tables 19.20 and 19.21, http://www2.hawaii.gov/DBEDT/index.cfm?section=READ_Databook1075.

⁶⁵ Economic Research Service, USDA.

⁶⁶ CFED, *2004 Development Report Card for the States*, <http://drc.cfed.org/grades/hawaii.html>.

⁶⁷ Ibid.

⁶⁸ Economy.com, *Hawaii State Profile*, August 2004.

⁶⁹ DBEDT, *Fact and Figures – State of Hawaii*, http://www2.hawaii.gov/DBEDT/images/User_FilesImages/read/facts/facts2000_a180.pdf, p. 5.

combined appear to have had some success in attracting high-technology businesses and start-ups.⁷⁰

3. Labor Force and Employment

As of 2000, Hawaii had 612,831 residents in its labor force, with 93.6% of those in the civilian labor force and 6.4% in the armed services. Men outnumber women in Hawaii's labor force, accounting for 54% of workers. Median earnings reported in Census 2000 for male full-time, year-round workers were \$35,535, and for female full-time, year-round workers, \$28,546.⁷¹ Hawaii's workforce is especially skilled in Asian languages and business protocol.⁷²

Employment in Hawaii is heavily skewed towards government and leisure and hospitality services. As of 2003, the industry with the largest percent of total employment was government (21.0%), followed fairly closely by leisure and hospitality services (17.5%), professional and business services (12.3%), education and health services (11.5%), and retail trade (11.4%). Hawaii's largest employers include Pearl Harbor Naval Complex, Schofield Barracks & Fort Shafter, Kaneohe Bay Marine Corps, Starwood Hotels & Resorts, and Hickman Air Force Base.⁷³

Industry Employment (% of total employment, 2003)

<i>Sector</i>	<i>% of HI Employment</i>	<i>% of U.S. Employment</i>
Construction	4.9%	5.2%
Manufacturing	2.6%	11.2%
Transport/Utilities	4.7%	3.7%
Wholesale Trade	3.0%	4.3%
Retail Trade	11.4%	11.5%
Information	1.8%	2.5%
Financial Activities	5.0%	6.1%
Professional & Business Services	12.3%	12.3%
Education & Health Services	11.5%	12.8%
Leisure & Hospitality Services	17.5%	9.3%
Other Services	4.3%	4.2%
Government	21.0%	16.6%

Source: Economy.com, *Hawaii State Profile*, August 2004.

4. Trade

In 2003, Hawaii exported \$368 million worth of goods outside of the U.S., accounting for 0.05% of U.S. total exports. Hawaii's top export was light oils (comprising 19.3% of the state's exports), followed in importance by airplanes and ferrous wastes and scraps.⁷⁴ The top country Hawaii exported to was Japan, which

⁷⁰ DBEDT, *Diversification: Is It the Answer to Our Economic Doldrums?*, March 2002, <http://www.hawaii.gov/dbedt/sfn03-06-02/way.html>.

⁷¹ U.S. Census Bureau, Census 2000 Data.

⁷² DBEDT, *Facts and Figures*, p. 5.

⁷³ Economy.com, *Hawaii State Profile*, December 2003.

⁷⁴ U.S. Census Bureau, Foreign Trade Division, *Total U.S. Exports (Origin of Movement) via Hawaii*

accounted for 40.2% of the state's exports. Rounding out the top five export countries for Hawaii were Malaysia (17.3%), South Korea (9.1%), Canada (5.3%), and New Zealand (5.2%). Since 2000, Japan's share of exports has dropped from 54.6% to 40.1%, while Malaysia's has increased more than five-fold, from 0.1% to 17.3%.⁷⁵

B. ECONOMIC PERFORMANCE

1. Historic Economic Performance

The state's economy enjoyed **strong growth during the 1970's and 1980's**, reflecting its growing reputation as a premier travel destination. However, the state's **economic performance waned in the 1990's**, which proved to be the weakest economic performance for Hawaii since World War II. The state witnessed thousands of job losses during much of the decade and saw its unemployment rate rise two percentage points to 6.4% in 1996 as plantation and sugar mills closed and the adverse effects of recessions in California and Japan impacted tourism.⁷⁶ Moreover, this anemic performance was **in sharp contrast to the nation**, which was experiencing GDP growth averaging over 3% per year. As a result, Hawaii's per capita income, which was 112% of the national average in 1990, had fallen below the national average by 1998.⁷⁷ **In 1999, the Hawaiian economy began to turn around**, posting gains in six of the state's seven major industry sectors. The **tourism sector showed the strongest improvement**, with 1999 visitor totals increasing 1.6% over the previous year and hotel occupancy rising to above 75% for the first time since 1995.⁷⁸ However, this improvement came to an abrupt halt on September 11, 2001. Given Hawaii's geographic dependence on air travel, **the negative shocks of September 11th dwarfed those of all other states**. While 2000 had been Hawaii's best year ever in tourist arrivals, and 2001 was closely tracking this performance, daily arrivals fell 30% in the months following September 11th.⁷⁹

2. Recent Economic Performance

After a period of economic downturn following the September 11th attacks, **Hawaii's economy has turned around and is performing strongly, led by the tourism and construction industries**.⁸⁰ In the tourism sector, visitor arrivals during the third quarter of 2004 were beginning to approach the levels of 2000,⁸¹ increasing total visitor spending and accommodation tax revenue collections.⁸² In the construction sector, industry

Top 25 Commodities Based on 2003 Dollar Value, <http://www.census.gov/foreign-trade/statistics/state/hs/2003/hi.pdf>.

⁷⁵ U.S. Census Bureau, Foreign Trade Division, *Total U.S. Exports (Origin of Movement) via Hawaii Top 25 Countries Based on 2003 Dollar Value*, <http://www.census.gov/foreign-trade/statistics/state/country/2003/hi.pdf>.

⁷⁶ Moody's Investors Service, *State of Hawaii*, October 2000.

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Moody's Investors Services, *State of Hawaii*, August 2002.

⁸⁰ Economy.com, *Hawaii State Profile*, August 2004.

⁸¹ DBEDT, *Quarterly Statistical & Economic Report*, November 2004, <http://www2.hawaii.gov/dbedt/latest>, p. 6.

⁸² Economy.com, *Hawaii State Profile*, August 2004.

activity was continuing to build on balance in the third quarter of 2004, with total private building authorizations increasing by 12.5% and total jobs in the sector increasing by 2.8% over the third quarter of 2003. However, government contracts awarded were down by 18.0% in the quarter, which could signal a coming slowdown in the construction industry.⁸³

Unemployment in Hawaii, reported at 3.3% in October 2004, is well below the national average (5.5% in October 2004).⁸⁴ Hawaii had 2.3% job growth in the second quarter of 2004, well above the national average and strong enough to rank the state fourth-best nationwide on job growth. Additionally, the Honolulu MSA ranked in the top 20% of MSAs for job growth during the same time period, with employment increasing by 2.2%.⁸⁵ During 2004, tourism led job growth, with the leisure and hospitality sector adding 3,700 jobs and the retail trade sector adding 2,300 positions, although all major industries in the state had year-over-year employment gains. Growth in health services employment was also relatively strong, a trend which is expected to continue as Hawaii's aging population requires increasing amounts of medical care.⁸⁶

Growth in the number of firms in Hawaii is also solid, with the state ranking 15th-highest in terms of growth of net new firms in the second quarter of 2004. However, at the same time, Hawaii had the third-highest rate of business bankruptcies.⁸⁷

As Hawaii's economy continues to improve, **home prices in Hawaii have also been surging upward**, with the state experiencing an annual home price appreciation of 28% in the third quarter of 2004, the second fastest price increase of any state and more than twice the national average. High housing prices have pushed homeownership farther out of reach for many low- and moderate-income households and could negatively affect credit quality among banks and thrifts in the state if growth in housing prices or sales slows in the future.⁸⁸

The economies of all four of Hawaii's main counties were in line with overall state trends, all showing increases in employment, total wages and salaries, individual income tax collection, transient accommodation tax collections, and hotel occupancy. All counties except Hawaii County also experienced an increase in visitor arrivals and visitor days through the first three quarters of 2004.⁸⁹

⁸³ DBEDT, *Quarterly Statistical & Economic Report*, p. 6.

⁸⁴ The Federal Reserve Bank of San Francisco, *Twelfth Federal Reserve District Regional Economic Briefing*, December 2004, <http://www.frbsf.org/publications/economics/briefing/reb.pdf>, p. 8. For up-to-date unemployment data in Hawaii, please visit the Federal Reserve Bank of San Francisco's Economic Research website at <http://www.frbsf.org/economics/index.html>.

⁸⁵ FDIC, *Hawaii State Profile*, Fall 2004, <http://www.fdic.gov/bank/analytical/stateprofile/>.

⁸⁶ FDIC, *Hawaii State Profile*, Winter 2004.

⁸⁷ FDIC, *Hawaii State Profile*, Fall 2004.

⁸⁸ FDIC, *Hawaii State Profile*, Winter 2004.

⁸⁹ DBEDT, *Quarterly Statistical & Economic Report*, p. 10.

3. Economic Outlook

Hawaii's currently robust economy is expected to continue through the beginning of 2005, but then is predicted to drop off. In the short term, increased military spending and a multibillion dollar construction project to refurbish military housing in the state should propel the economy.⁹⁰ In addition, strong forecasts for the economies of the mainland U.S. and Japan bode well for Hawaii, given that the state's economic growth is heavily dependent on the economic health its two largest trading partners. Hawaii's Department of Business, Economic Development & Tourism predicts that in 2005, the state will see job growth of 1.5%, real personal income growth of 2.6%, and GSP growth of 2.7%. Tourism is also predicted to increase in 2005, with total visitor arrivals expected to grow by 3.0% in 2005, pushing the level of annual visitors above seven million for the first time.⁹¹ However, in the long term, **Hawaii's economy is expected to grow more slowly than the U.S. economy as a whole due to the high costs of doing business in the state and the state's dependence on the volatile tourism industry.**⁹²

⁹⁰ Economy.com, *Hawaii State Profile*, August 2004.

⁹¹ DBEDT, *DBEDT Quarterly Forecast*, November 2004, http://www2.hawaii.gov/DBEDT/index.cfm?section=statistics_and_economic_information378.

⁹² Economy.com, *Hawaii State Profile*, August 2004.

III. STATE AND LOCAL GOVERNMENT

A. STRUCTURE

1. State and Local Governments

Unlike the rest of the U.S., **Hawaii relies primarily on only two levels of government: state and county. Counties perform most services usually associated with cities and towns** such as fire protection, police, refuse collection, construction and maintenance of streets, and other public works.⁹³ As of June 2002, Hawaii had just 19 active local governments, ranking it 50th among all states in the number of local governments (with first being the highest number of local governments). Hawaii is subdivided into five counties, of which three (Hawaii, Kauai, and Maui) are governed by traditional county governments, referred to as county councils and led by an elected mayor. Of the two remaining counties, Kalawao County has only a county sheriff and the state government carries out the remainder of its government functions, and the City and County of Honolulu has a consolidated city-county government. This consolidated city-county government is Hawaii's only municipal government.⁹⁴

Hawaii has only one school district, which is administered by the State Department of Education. What are thought of as 'school districts' in other states are administrative areas of the State Department of Education in Hawaii. In addition, the Hawaii State Constitution provides for the creation of special districts or authorities, of which soil and water conservation districts and the Office of Hawaiian Affairs are considered to be governments. Hawaii also has numerous subordinate agencies and special areas that possess some governmental features but are not counted as separate government agencies, such as natural resource conservation districts, housing authorities, and municipal airport authorities.⁹⁵ Hawaii's highly-centralized state government system leaves many activities in addition to schools, including libraries, courts, welfare, airports, and harbors, in state hands.

2. Educational System

Hawaii's statewide public school system had 183,609 students enrolled in grades K-12 in 2003.⁹⁶ This total includes 3,301 students served by 26 charter schools in the state.⁹⁷ There were also 132 private schools with an enrollment of 36,226 as of 1999.⁹⁸ Hawaii also has numerous post-secondary educational offerings. The University of Hawaii (UH) system is composed of 10 campuses, with its three university campuses located in Manoa, Hilo, and West O'ahu, and its seven community college campus dispersed

⁹³ DBEDT, *Facts and Figures*, p. 5.

⁹⁴ U.S. Census Bureau, 2002 Census of Governments, *Preliminary Profile of Hawaii*, <http://ftp2.census.gov/govs/cog/gc0212hi.pdf>.

⁹⁵ *Ibid.*

⁹⁶ DBEDT, *State of Hawaii Data Book*, Table 3.09.

⁹⁷ U.S. Charter Schools, *State by State Numbers*, <http://www.uscharterschools.org/cs/sp/query/q/1595>.

⁹⁸ DBEDT, *Facts and Figures*, p. 11.

around the state. As of 2003, the UH system had a total enrollment of 50,317, including approximately 44,000 undergraduates and 6,000 graduate students.⁹⁹ Other well-known colleges and universities in Hawaii include Hawaii Pacific University and Honolulu University, both located in Honolulu.

B. GOVERNMENT FINANCES

State revenue receipts derive chiefly from taxes (58.3%), inter-governmental revenue (23.3%), and current charges (13.1%). The general excise and use tax and individual income tax are the major sources of tax revenue.¹⁰⁰ The general excise tax (GET) of 4% is applied to retail sales of goods and services. The four counties establish real property tax rates and assess and collect these taxes. Except for licenses, permits, and fees, other tax collections are the responsibility of the state, which operates a centralized tax system. Hawaii has no personal property or inventory taxes.¹⁰¹ Hawaii is tied with Ohio for having the third-highest state and local tax burden, with an average state and local tax burden of 11.3%, compared to the national average of 10.0%.¹⁰²

The **centralized nature of the state government has produced high state debt levels**, which places continuing pressure on the state operating budget to fund both state and local essential governmental services, reducing the state's financial flexibility. However, Hawaii's high debt level is more manageable than similar levels would be in other states because the state issues all debt for Hawaii's schools, which in other states is issued by local governments. As a result of this concentration, the state's per capita debt level of \$2,772, or approximately 10% of per capita income, is among the highest in the nation. Despite this, and recognizing the special nature of state and local finance in Hawaii, **the state enjoys relatively strong debt ratings** of 'Aa3' and 'AA-' from Moody's and Standard and Poor's, respectively.¹⁰³ Standard & Poor's notes that its stable credit rating reflects Hawaii's tourism-based economy with above-average wealth and income indicators, continued adequate financial position supported by the recent affirmation of revenue growth projections, and high but manageable debt burden.¹⁰⁴

For FY 2004, total general fund tax revenues were up 8.3% from their FY 2003 levels, bringing in \$3.45 billion to the state during the year. **FY 2005 revenues are expected to increase by an additional 8.8%**, further strengthening Hawaii's financial position.¹⁰⁵ This improvement continues a trend that began in 2003, after a difficult year in 2002, when the state was forced to use its available fund balances to close a \$215

⁹⁹ The University of Hawaii System, *System Overview*, <http://www.hawaii.edu/about/>.

¹⁰⁰ DBEDT, *State of Hawaii Data Book 2003*, Table 9.09.

¹⁰¹ DBEDT, *Facts and Figures*, p. 12.

¹⁰² The Tax Foundation, *Tax Burdens by State in 2004*, <http://www.taxfoundation.org/statelocal04.html>.

¹⁰³ Standard & Poor's Ratings Direct, *Hawaii; Tax Secured, General Obligation Credit Profile*, April 2004, and Moody's Investors Service, *Moody's Assigns Aa3 Rating to State of Hawaii GO Bonds*, April 2004.

¹⁰⁴ Standard & Poor's, April 2004.

¹⁰⁵ Hawaii Council on Revenues, *Estimates of General Fund Tax Revenue, FY 2005 through FY 2011*, January 2005, <http://www.state.hi.us/tax/cor/2005gf01.pdf>.

million budget shortfall caused by a decline in state tax collections associated with the September 11th attacks.¹⁰⁶

Hawaii's state constitution lays the groundwork for helping the state to deal with declines in tax revenues by mandating the creation of a General Fund expenditure ceiling that limits the annual rate of expenditure growth to the rate of growth of the economy.¹⁰⁷ The state also maintains an emergency budget and reserve special fund, or "rainy day" fund, to provide additional financial security to the state in times of declining revenues. This reserve fund is supplied with proceeds received from tobacco company settlements.¹⁰⁸

C. MAJOR GOVERNMENT AGENCIES INVOLVED IN COMMUNITY DEVELOPMENT

The most important community development agency in Hawaii is the state's **Housing and Community Development Corporation of Hawaii** (HCDCH), which administers all of the federal housing programs for the state in the three counties outside of Oahu (where housing is administered by the City and County of Honolulu) and manages public housing for all counties, including Oahu. The City and County of Honolulu administers federal housing programs in its county through its **Department of Community Services**. The state also has a **Hawaii Community Development Authority** (HCDA), although the organization appears primarily devoted to the redevelopment of Kaka'ako Waterfront, a valuable but deteriorating urban area, and Kalaeloa, including the land formerly occupied by the Barbers Point Naval Air Station.

Small business in Hawaii is supported by the **Hawaii Small Business Development Center Network**, which is a partnership program between the University of Hawaii at Hilo and the U.S. Small Business Administration. The counties also operate **Offices of Economic Development** that assist entrepreneurs. There is also the **Hawaii Strategic Development Corporation**, which promotes economic development and diversification, and the **High Technology Development Corporation**, which develops and grows the technology industry in Hawaii. The state also operates a **Foreign Trade Zone** administered by a division of the Department of Business, Economic Development and Tourism. Financial institutions are supervised and regulated by the **Division of Financial Institutions**, which is part of the Department of Commerce and Consumer Affairs.

Poverty and income support policies are handled by the **Department of Human Services** (DHS), whose responsibilities include welfare and job training programs, vocational rehabilitation services, medical insurance, foster and child care licensing, child protection and child welfare services, adult protection services, and home-based and community-based support for low-income seniors and persons with disabilities. The Department of Labor and Industrial Relations' **Office of Community Services** (OCS) was established to

¹⁰⁶ Moody's Investors Service, April 2004.

¹⁰⁷ Ibid.

¹⁰⁸ Standard and Poor's, April 2004.

house a number of existing programs, such as the Office of Economic Opportunity, in order to unify human service programs for Hawaii's economically disadvantaged, immigrants, and refugees. The Office contracts programs and services on behalf of the state and federal governments primarily to private, nonprofit service providers.

Native Hawaiian issues are generally handled by the **Department of Hawaiian Home Lands** (DHHL), which manages the extensive land trust of the Hawaiian Home Lands. The **Office of Hawaiian Affairs** operates as both a government agency and a trust, running its own programs and funding other community-based organizations. As mentioned above, services for immigrants and refugees in Hawaii are coordinated through the state's **Office of Community Services**.

IV. NONPROFITS AND FINANCIAL INSTITUTIONS IN HAWAII

A. NONPROFITS IN HAWAII

In 2001, the Hawaii Community Foundation commissioned a benchmark study entitled *Hawaii Nonprofits 2001* in order to examine the issues and challenges facing the sector. Key results of the study are detailed below.

First, **Hawaiian nonprofits are well established**, with three-quarters of the larger ones (with revenues greater than \$25,000) operating in Hawaii for more than ten years, and half in business for more than 20 years. **Nonprofits employ 41,000 people** (27,000 full-time and 11,000 part-time), or **7.4% of the state's non-agricultural workforce**, accounting for \$1 billion in wages. These employee numbers are augmented by 18,000 ongoing volunteers and 29,000 periodic volunteers.¹⁰⁹

Total revenues for nonprofits equal \$2 billion. Government grants comprise 8% of revenues for nonprofits, and **program service revenues make up over half of all revenues**. The state provides all the government-related program service revenues for community development agencies. Contributions are the second main source of revenue for this sector, accounting for 19% of total revenues (nearly half of all revenue received by community development organizations comes from contributions).¹¹⁰

Surveyed on their current challenges, **nonprofits in Hawaii cited insufficient funding as their top issue** (community development organizations rated this as second). Forty-four percent of nonprofits believe that they currently have no excess capacity and 46% believe they could offer their services to only a few more people. In addition, **many nonprofits struggle in terms of measuring their performance**, and only 23% have a formal written strategic plan. Finally, many nonprofits report a need for greater technology.¹¹¹

In addition, in a roundtable discussion held in Honolulu on March 13, 2003, a number of local community development professionals underscored the need for additional training in the areas of financial management, governance, and technology.

B. FINANCIAL INSTITUTIONS

CFED's data on bank access is strangely mixed. Hawaii ranks seventh in the percentage of households with savings accounts, but ranks only 42nd in the percentage of households with checking accounts.¹¹² However, since interest-bearing checking accounts were included in the savings accounts category, this may merely indicate a preponderance of checking accounts that offer interest in the state.

¹⁰⁹ Hawaii Community Foundation, *Hawaii Nonprofits 2001, A Study of the State's Silent Economic Partner*, http://www.hawaiicomunityfoundation.org/doc_bin/publications/Nonprofits_final.pdf, p. 3.

¹¹⁰ Ibid, pp. 4-5.

¹¹¹ Ibid, p. 7.

¹¹² CFED, *State Asset Development Report Card (SADRC)*, 2002, pp. 114-115.

The number of banks in Hawaii has decreased gradually over the last five years.¹¹³

As of June 2004, the state was served by 10 FDIC-insured banks and thrifts, which together held \$23.1 billion in deposits in the state.¹¹⁴ As of the third quarter of 2004, the year-to-date industry-wide median return on assets (ROA) for banks headquartered in Hawaii was 1.40%, well above the 1.05% national median ROA, but somewhat below the percentage for the same time period in 2003.¹¹⁵

As of June 2004, **approximately 77% of the deposits in Hawaii were controlled by the three largest in-state insured institutions:** First Hawaiian Bank (29.6%), Bank of Hawaii (29.3%), and American Savings Bank (17.9%).¹¹⁶ This concentration of assets is one of the highest in the nation.¹¹⁷ **An important source of competition for Hawaii's banks are the 99 credit unions active in the state, which together control 16.2% of total credit union/bank assets in the state,** more than twice the market share of all U.S. credit unions (6.5% of total assets).¹¹⁸

C. CDFIs

Hawaii has 15 organizations that have been certified by the Community Development Financial Institutions (CDFI) Fund as of November 2004. To achieve certification, an entity must have a primary mission of promoting community development, must principally serve and maintain accountability to an eligible target market, be a financing entity, provide development services, and not be either a government entity or controlled by a government entity.¹¹⁹ CDFIs in Hawaii serve primarily low-income and minority individuals, and provide much-needed funding to rural areas. At the end of FY 2002, CDFIs in Hawaii had more than \$2.5 million in financing outstanding to 1,279 customers in the state.¹²⁰

The following are the 15 certified CDFIs in Hawaii as of November 2004:¹²¹

- North Hawaii Community Federal Credit Union
- Hawaii Community Loan Fund
- Hawaii Community Reinvestment Corporation
- Pacific Gateway Center
- Word of Life Federal Credit Union

¹¹³ U.S. Small Business Administration, *2004 State Small Business Profile: Hawaii*, <http://www.sba.gov/advo/stats/profiles/04hi.pdf>.

¹¹⁴ FDIC, *Deposit Market Share Report: Hawaii*, June 2004.

¹¹⁵ FDIC, *Hawaii State Profile*, Winter 2004.

¹¹⁶ FDIC, *Deposit Market Share Report*.

¹¹⁷ FDIC, *Hawaii State Profile*, Winter 2004.

¹¹⁸ Hawaii Credit Union League, *Credit Union Fact Sheet*, http://www.cuna.org/download/hawaii_fs.pdf.

¹¹⁹ CDFI Fund, U.S. Department of the Treasury, *CDFI Fund Overview*, <http://www.cdfifund.gov/overview/index.asp>.

¹²⁰ CDFI Coalition, *CDFIs in Hawaii: 2004 Fact Sheet*, <http://www.cdfi.org/states/Hawaii2004.pdf>.

¹²¹ CDFI Fund, U.S. Department of the Treasury, *Certified CDFIs – Alphabetical by State and County*, November 2004.

- Kahuku Federal Credit Union
- Molokai Community Federal Credit Union
- Ka'u Federal Credit Union
- Onomea Federal Credit Union
- Schofield Federal Credit Union
- Kulia Ohana Federal Credit Union
- MEO Business Development Corporation
- Lokahi Pacific
- First Hawaiian Homes Federal Credit Union
- Rural Community Assistance Corporation

Certification as a CDFI also enables entities to apply for various awards from the CDFI Fund. Recent awardees (since 2001) include the following:¹²²

- **The Bank of Hawaii** was awarded through the BEA Program in 1998, 1999, 2000, and 2002 to increase consumer, housing, small business, and community service initiatives in distressed communities and to provide financial support to other CDFI's.
- **The Hawaii Community Loan Fund** won a 1998 Technical Assistance grant to expand micro-credit lending and a 2001 Core grant and loan to expand its existing services to more communities and launch lending for community facilities and commercial real estate projects.
- The **Pacific Gateway Center** in Honolulu won a 2001 award through the SECA program to train staff, purchase technology, and hire a consultant to conduct a market analysis/study to support its business plan.
- The **Word of Life Federal Credit Union** in Honolulu received a technical assistance grant in 2002 to increase its capacity to introduce new loan products and a share draft program through the acquisition of consulting services and technology, to improve its financial management through the acquisition of technology, and to increase staff and Board capacity through the acquisition of training.
- **First Hawaiian Homes Federal Credit Union** in Hoolehua received a Native American technical assistance grant in 2003 to purchase equipment and training to enable the credit union to offer a wider range of services to its members.
- **Ka'u Credit Federal Credit Union** in Na'Alehu received a technical assistance grant in 2001 to be used to upgrade the Credit Union's Internet access and computer system, and to initiate a staff development program.
- **Kulia Ohana Federal Credit Union** in Wailuku received a technical assistance award in 2002 in the form of consulting, training, staff salary, and technology assistance, to augment its ability to provide more financial services and products to its target markets in Central Maui County, Hawaii.

¹²² CDFI Fund, U.S. Department of the Treasury, *Awardee Profiles by State – Hawaii*, <http://www.cdfifund.gov/awardees/pdf/states/hawaii.pdf>.

V. AFFORDABLE HOUSING

Hawaii's top community development need is affordable housing, both rental and ownership. The state ranks **among the worst in the nation in terms of the severity of need for low-income rental housing**, with the state government currently able to produce only a very small fraction of the needed affordable rental units.¹²³ Similarly, **Hawaii is nearly the worst in the nation in its rate of homeownership**, although the state's rate has increased from 53.9% in 1990¹²⁴ to 57.4% in 2002. However, it may be difficult for this increase to continue, as several factors in recent years have combined to cause a substantial increase in housing prices.¹²⁵ While **the state can be credited with a number of important housing programs**, including a state housing trust fund and various homebuyer assistance programs,¹²⁶ far more effort is needed in this area.

A. AFFORDABLE HOUSING NEEDS

1. Overall Housing Market

As of 2003, Hawaii had a total of 476,000 housing units, of which 11.9% were vacant. Hawaii's 2003 vacancy rate was slightly higher than that of the U.S. as a whole, where only 10.3% of housing units were vacant. **The majority of Hawaii's housing units (58%) are single-unit structures**, although 42% are located in multi-unit structures. In fact, **Hawaii is one of the top two states in the proportion of housing in buildings with five or more apartments**. Fewer than 1% of housing units in Hawaii are mobile homes. Approximately one fifth of Hawaii's housing units have been built since 1990.¹²⁷

As of 2003, **the median value of owner-occupied units with a mortgage in Hawaii was \$324,661, the second-highest value nationally**. The median monthly housing cost for mortgaged owners was \$1,666, nonmortgaged owners, \$255, and renters, \$863. **A substantial portion of Hawaii residents, renters in particular, spend more than 30% of their monthly household income on housing**—as of 2003, 38% of owners with mortgages, 4% of owners without mortgages, and 47% of renters in the state fell into this category.¹²⁸

Home prices in Hawaii have been increasing much faster than the national average increase. Home prices in the state increased by 28% between third quarter 2003 and third quarter 2004, more than twice the nationwide average increase and the second-fastest growth rate of any state. Hawaii's rapidly increasing home prices have been driven by a variety of factors, including the improved economy, favorable interest rates, and

¹²³ Housing and Community Development Corporation of Hawaii (HCDCH), *Hawaii Housing Policy Study, 2003 - Executive Summary*, August 2003, <http://www.hcdch.hawaii.gov/03policystudy.pdf>, p. 7.

¹²⁴ *Ibid.*, p. 3.

¹²⁵ *Ibid.*, p. 6.

¹²⁶ CFED, *SADRC*, p. 42.

¹²⁷ U.S. Census Bureau, 2003 American Community Survey Data.

¹²⁸ *Ibid.*

increased purchasing activity by both Hawaii residents and mainland investors.¹²⁹ **While this rapid appreciation of prices is a boon to homeowners, it is increasingly pricing lower-income buyers out of the market.** A May 2004 article from the Honolulu Star-Bulletin describes the situation as follows: “Despite the relatively swift rate of growth in Hawaiian homeownership over the past several years and statewide laws mandating a certain percentage of affordable housing to be included in new developments, the number of options available to lower-income earners has been dwindling.”¹³⁰

2. National Low Income Housing Coalition’s Analyses of Rental Housing Affordability

The National Low Income Housing Coalition (NLIHC) has for several years produced a report entitled *Out of Reach* that analyzes the country’s wage-rent disparity. Specifically, the NLIHC calculates the amount of money a household must earn in order to afford a rental unit in a range of sizes at the area’s Fair Market Rent (FMR), based on the generally-accepted limit of paying no more than 30% of income for housing costs. The required income is then compared to the Area Median Income (AMI), the minimum wage, and the incomes of extremely low-income households (less than 30% of AMI). In addition, in 2004, the NLIHC released a report entitled *Up Against a Wall: Housing Affordability for Renters*, analyzing rental housing related data from the 2003 American Community Survey.

Taken together, the reports indicate that **Hawaii suffers from a serious lack of affordable rental housing.** Using an index that takes into account the state’s median gross rent, a ratio of rental costs to incomes, and the percentage of renter households in the state spending more than 50% of income on rent, **the NLIHC ranked Hawaii as having the 10th-least affordable rental housing in the country.** Looking at the individual measures, Hawaii’s median gross rent in 2003 was \$863, ranking the state as the second-most expensive state, but its renter affordability ratio rank was better, at 22nd-least affordable. In addition, nearly one quarter of renters in the state spend more than 50% of their income on rent, ranking the state 15th worst on that measure.¹³¹

In Hawaii, the “**housing wage**”, which is **the amount a full time** (40 hours per week) **worker must earn in order to afford a two-bedroom unit at the area’s FMR, is \$17.60.** This is **almost three times the minimum wage** of \$6.25 per hour. Put differently, a worker earning the minimum wage must work 113 hours per week in order to afford a two-bedroom unit at the area’s FMR. (A minimum wage earner can afford a monthly rent of no more than \$325.) This high “housing wage” places Hawaii seventh highest in the nation in lack of affordability based on this measure.¹³² This difficult situation was echoed by a local participant in affordable housing who said, “it takes two parents working, and one holding two jobs, to afford housing in Hawaii.”

¹²⁹ FDIC, *Hawaii State Profile*, Winter 2004.

¹³⁰ Janis K. Oppelt, *Hawaii, the Aloha State*, Bright Ideas, Fall 2004, <http://www.nw.org/network/pubs/brightIdeas/documents/stateoftheartbrightideasFall2004-9.pdf>.

¹³¹ NLIHC, *Up Against A Wall: Housing Affordability for Renters*, Ranking Tables, 2003 ACS Renter Affordability Measures, November 2004, <http://nlihc.org/pubs/uaw04/newrankingtables.pdf>.

¹³² NLIHC, *Out of Reach 2004*, <http://nlihc.org/oor2004/>.

By county, **Honolulu and Maui are the least affordable**, with “housing wages” of \$18.37 and \$17.29, respectively, (compared to the statewide average of \$17.60), meaning that minimum wage workers there would need to work 118 and 111 hours, respectively, to afford the two bedroom FMR. Statewide, an extremely low-income household (earning 30% of AMI) can afford monthly rent of only \$474, compared to the two-bedroom FMR of \$915, and an SSI recipient (receiving \$564 monthly) can afford monthly rent of no more than \$169, compared to the one-bedroom FMR of \$757.¹³³

3. Homeownership Statistics

Hawaii ranks well below average in its rate of homeownership. As of 2002, 57.4% of Hawaii households owned their own homes, up from 56.5% in 2000.¹³⁴ Hawaii’s 2002 homeownership rate places it **second lowest in the nation**, leaving less opportunity for Hawaiians to build wealth in the form of home equity.¹³⁵ This is perhaps not surprising given that Hawaii’s **median home value is the second highest in the nation**, likely putting homeownership out of financial reach for many households.¹³⁶

In breaking down homeownership data to look for major differences by either race or income, Hawaii’s rankings are mixed. For example, Hawaii **has the smallest gap in homeownership by race**, a comparative ranking of the differential in homeownership between white-headed and non-white-headed households. At **28th in the nation**, the state is roughly in the middle in **homeownership by gender**, a measure of the gap between the homeownership rates of male-headed households and female-headed households. And not surprisingly, given the high costs of homes in Hawaii, the state **has the third-largest (worst) gap in homeownership by income**, which measures the gap between the homeownership rates of households in the top income quintile compared to households in the bottom quintile.¹³⁷

4. Hawaii Housing Policy Study, 2003

The *Hawaii Housing Policy Study* has been conducted three times in the past decade, in 1992, 1997, and, most recently, in 2003. All three studies drew data from: a) an inventory of the state’s housing stock; b) a housing demand survey; c) a review of secondary data; and d) a specially prepared housing demand model. The study presents historical data ranging from 1990 to 2002 and forecasting data for 2003 through 2024, although its authors caution that projections beyond 2005 may be of questionable accuracy. The purpose of the study is to support housing planning and policy development in Hawaii generally, rather than to support any specific housing development.¹³⁸

¹³³ Ibid.

¹³⁴ U.S. Census Bureau, Census 2000 Data and *Statistical Abstract of the United States: 2003*.

¹³⁵ U.S. Census Bureau, *Statistical Abstract of the United States: 2003*.

¹³⁶ U.S. Census Bureau, 2003 American Community Survey Data.

¹³⁷ CFED, *SADRC*, pp. 95-97.

¹³⁸ HCDCH, *Hawaii Housing Policy Study, 2003 - Executive Summary*, p. 1.

The study discusses the market conditions for home ownership and the rental market. It reports that while **the market outlook for homeownership is positive, the opportunities for those interested moving into homeownership are few.** In the past few years, home purchases and prices have been driven up by a combination of low interest rates, housing construction rates that have not kept up with short-term demand, and increased sales of housing units to non-state residents.¹³⁹ In the rental market, the availability of rental units dropped between 2000 and 2003, due to more units being used by visitors and single-family rental units being sold to homeowners. In addition, many multifamily rental projects were sold to new owners, often bringing higher rents with the change in owners, consistent with a trend of higher rents statewide. The study's authors do not foresee significant construction of multifamily rental units in the near future.¹⁴⁰

Based on the results of the study, Hawaii forecast an increase of approximately 32,500 households between 2003 and 2010, or approximately 4,650 households per year. **Production of housing units is not expected to keep pace with demand,** and the deficit in housing units is predicted to vary across the years between 2003 and 2010, ranging from 29,519 in 2003 to approximately 15,830 in 2010. **The deficit is expected to be greater in the rental market and among households earning below the median income,** as slow growth among public housing units will force low-income renters into the private rental market, where they are likely to have severe difficulty securing affordable housing.¹⁴¹

Using data from the study in its *Draft Consolidated Plan 2005-2009*, **HCDCH estimates that an additional 44,190 housing units will be needed between 2005 and 2009 to meet demand,** with the largest percentage of those units needed for those earning between 50% and 80% of median income. The table below details projected housing need by income group by county and statewide.¹⁴²

Projected Housing Need by Income Group, 2005-2009

<i>% of HUD Median Income</i>	<i>Honolulu</i>	<i>Maui</i>	<i>Hawaii</i>	<i>Kauai</i>	<i>State</i>
<30%	2,160	560	410	160	3,290
30-50%	5,980	820	630	480	7,910
50-80%	7,450	1,320	1,240	680	10,690
80-100%	4,060	520	440	210	5,230
100-120%	4,970	650	530	250	6,400
120-140%	2,430	290	150	190	3,060
140-180%	2,490	320	430	190	3,430
>180%	3,040	380	530	230	4,180
Total	32,580	4,860	4,360	2,390	44,190

Source: HCDCH, *Draft Consolidated Plan 2005-09*, p. 19.

¹³⁹ Ibid, pp. 5-6.

¹⁴⁰ Ibid, p. 6.

¹⁴¹ Ibid, p. 7.

¹⁴² HCDCH, *Draft Consolidated Plan 2005-09*, <http://www.hcdch.hawaii.gov/05-09conplandraft.pdf>, p. 19.

5. Market Study for the Hawaii HomeOwnership Center

In the course of evaluating the need for a new homeownership center, a market study was done to gauge the potential need for its services. This study showed that the typical number of first-time homebuyers on Oahu is between 1,000 and 1,200 annually, that 41% of households on Oahu are renters, and that 40% of renters indicate a desire to buy a home, preferably single family. Further, the study showed that 27,000 renters on Oahu were estimated to have net worth and debt ratios acceptable to qualify for mortgages, but were still unable to purchase a home because they faced informational and other barriers.¹⁴³

6. Hawaii's Homeless Population

In 2003, a point-in-time count undertaken on behalf of HCDCH estimated that there were 6,029 homeless people statewide. The count also found 228,449 “hidden homeless” who rely on public assistance or their friends and relatives for help and 155,058 at-risk people who would become homeless within three months if they lost their primary source of income. During the course of a year, an estimated 14,596 people are homeless at some point. HCDCH also reports that from June 2002 through June 2003, 12,091 people received shelter or services through HCDCH-affiliated service providers.¹⁴⁴

B. AFFORDABLE HOUSING RESOURCES

1. CFED's Affordable Homeownership Program Rankings

Hawaii is ranked highly at **13th best** in the nation in its **allocation of private-activity bonds for mortgage revenue bonds**, allocating 67% of its total. Hawaii also receives credit from CFED for **having a State Housing Trust Fund**, and for having a **first-time homebuyer assistance program** that provides direct lending for homeownership, counseling, and funds for second mortgages. The state also receives credit for having a **property tax circuit breaker program for elderly homeowners**.¹⁴⁵

2. Public Housing Units

HUD's *Resident Characteristics Report* summarizes general information about households in the state that reside in Public Housing, Indian Housing, or who receive Section 8 assistance. According to the report, **Hawaii has 5,486 available public housing units**, of which 4,577 are occupied. The average annual income for residents in these units is \$12,576, with 63% of occupants qualifying as “extremely low income” (below 30% of median income). The largest proportion of units is occupied by people

¹⁴³ Hawaii Homeownership Center, *Market Analysis*, March 2003.

¹⁴⁴ HCDCH, *Homeless Point-in-Time Count Report 2003*, April 2004, <http://www.hcdch.hawaii.gov/03homelessstudy.pdf>.

¹⁴⁵ CFED, *SADRC*, pp. 129-133.

who identify as Asian (46%), with the next largest proportion (30%) occupied by Native Hawaiian/Other Pacific Islanders.¹⁴⁶

3. Affordable Housing Programs Using Federal Funds

The state's Housing and Community Development Corporation of Hawaii (HCDCH), which is under the Department of Business, Economic Development and Tourism, administers a variety of federal and state affordable housing programs, including managing the state's stock of public housing units. The overall goals of HCDCH's *Five-Year Strategic Plan for 2000-2004* are to assist very low-, low-, and moderate-income households by:

- increasing the development of long-term affordable rental projects statewide;
- providing increased financial and other types of assistance to needy households;
- preserving and revitalizing existing affordable housing;
- providing increased opportunities for first-time homebuyers;
- providing a continuum of housing and support services for homeless persons and families to enable them to achieve greater independence and stability; and
- providing housing and support services for persons with special needs.¹⁴⁷

By actual units, the five-year plan intends to **increase the supply** of rental housing for the target population by **105 units** and provide **rental assistance** for another **300 households**, increase the supply of **supportive housing** by **50 units**, and **rehabilitate 30 units** of existing affordable housing. The Plan also aims to **increase the supply of affordable for-sale housing by 110 units**. For the homeless, the Plan targets assistance to **1,900 unsheltered person** and **supportive services in shelters to 5,000 sheltered homeless persons**. Finally, the Plan targets **rental assistance and other services to 288 persons with HIV/AIDS**.¹⁴⁸

To more specifically understand HCDCH's allocation of federal funds on an annual basis, the agency provides detail in its *Consolidated Action Plan for FY 2004-2005*, which covers the counties of Hawaii, Kauai, and Maui. The 2004 Action Plan anticipated \$3.3 million in HOME funds, which were to be distributed via a \$1.1 million allocation to each of the three counties of Hawaii, Kauai, and Maui. In turn, the counties had already identified various senior housing and low-income rental projects to utilize the HOME funds via an RFP process. The state also anticipated receiving \$215,343 in ESG (Emergency Shelter Grant) funds for 2004 and planned to utilize them to provide funding to a number of homeless provider agencies in the three counties. All agencies that received ESG funds in 2003 were expected to receive the same amount of funding in 2004, and additional funding was to be directed towards serving the homeless in Kauai County. The State also expected \$181,000 in HOPWA (Housing Opportunities for

¹⁴⁶ HUD, *Resident Characteristics Report for Hawaii, as of December 31, 2004*, <http://www.hud.gov/offices/pih/systems/pic/50058/rcr/index.cfm>.

¹⁴⁷ HCDCH, *State of Hawaii Consolidated Action Plan for Program Year 2004*, May 2004 <http://www.hcdch.hawaii.gov/04-05actionplan.pdf>, p. 5.

¹⁴⁸ *Ibid*, pp. 6-7.

Persons with AIDS) funds in 2004, most of which was to be allocated to the Maui AIDS Foundation.¹⁴⁹

In its most recently available action plan, the Community Services Department of the **City and County of Honolulu** details the allocation of its federal HOME, ESG, and HOPWA funds, as well as its CDBG funds. In this allocation, **housing development**, defined as new construction, rehabilitation, acquisition and related infrastructure, **is the top priority, receiving 44% of the total funds available**. In addition, the other three counties in Hawaii each administer their own CDBG programs.¹⁵⁰

In addition to federal HOME, ESG, and HOPWA funds, HCDCH utilizes a variety of other federal funds to address the need for affordable housing including **HOPE VI, Section 8 Vouchers, and Section 202**, among others. Hawaii also benefits from **federal Low Income Housing Tax Credits** and was allocated **\$2.3 million** in credits for **FY 2004**, providing an important source of equity for affordable housing projects.¹⁵¹ According to local sources, this allocation is sufficient to produce 250 to 300 units. The **U.S. Department of Agriculture (USDA) – Rural Development** also offers a number of affordable housing programs in Hawaii focused on rural areas, including loans, grants, and loan guarantees.¹⁵²

4. State-Funded Affordable Housing Programs

The State of Hawaii also allocates **State Low Income Housing Tax Credits** equivalent to 30% of the federal credit on an annual basis, with roughly \$600,000 available each year. The State appropriates funds for the development of **State low-rent public housing projects** to complement the Federal program, and provides **grant-in-aid funds** for non-profit affordable housing developers. The State also has a **Rental Assistance Program**, which provides rental subsidies averaging \$175 per month, though the program has currently reached its pre-determined limit.¹⁵³

In 1992, the State also created a **Rental Housing Trust Fund** to provide loans or grants for affordable rental housing. Additionally, the **Hula Mae Multi-Family Bond Program** provides private developers/owners of rental housing with interim and permanent financing at below-market interest rates through the issuance of tax-exempt revenue bonds, while the **Hula Mae Single Family Mortgage Purchase Program** works similarly to assist first-time homebuyers (and as referenced earlier, CFED ranks Hawaii highly in its allocation of private-activity bonds to affordable housing). The state's array of programs also includes additional rent supplement programs, homeless programs, and excise tax exemptions.¹⁵⁴

¹⁴⁹ Ibid, pp. 1-3.

¹⁵⁰ City and County of Honolulu, *Draft Ninth Year Action Plan*, 2003, p. 3.

¹⁵¹ HCDCH, *Consolidated Action Plan*, p. 11.

¹⁵² Hawaii Office of USDA Rural Development, <http://www.rurdev.usda.gov/hi/>.

¹⁵³ HCDCH, *Consolidated Action Plan*, p. 15.

¹⁵⁴ Ibid, pp. 15-16.

The State of Hawaii also has a program that **requires resort developers to build affordable housing for every market-rate or hotel unit developed**. For example, in Maui County, developers must create one affordable unit for every four units built for vacation purposes, primarily in order to offset the increased housing prices and low-paying jobs that result from resort development.¹⁵⁵

5. Other Sources

Private financial institutions also play an important role in funding affordable housing in Hawaii through loans and investments, including purchases of Hula Mae bonds. Most directly, the **Hawaii Community Reinvestment Corporation (HCRC)** is a private, non-profit consortium of banks and savings and loan institutions that provides financing and technical assistance to facilitate the development of affordable rental housing. HCRC's \$50 million loan pool is funded by its member banks, and its loans have been sold in the secondary market in order to fund future projects, allowing HCRC to loan \$76 million to date using its original \$50 million pool. HCRC also conducts quarterly seminars and provides consulting services to assist developers. Finally, HCRC recently created a Low Income Housing Tax Credit equity fund, with HCRC serving as the syndicator for developers who receive an allocation of credits for projects in Hawaii. The first two funds have raised nearly \$40 million, with a third fund in the works.¹⁵⁶

The **Federal Home Loan Bank of Seattle (FHLB)** also contributes to affordable housing in Hawaii through several programs, including its **Challenge Fund, Community Investment Program (CIP), Affordable Housing Program (AHP), and Home\$tart Program**. The programs are described in more detail below, and information about recent grant awardees is available on the Seattle Bank's website at <http://www.fhlbsea.com/FHLBSEA/main/communityinvestment3>.

The Challenge Fund is a recoverable grant program that provides seed money of up to \$20,000 per project. Through it, the FHLB encourages the creation of affordable housing in geographic areas where there is a lack of development capacity. FHLB awards grants to member financial institutions that typically combine them with their own financial or in-kind contributions before passing them to the sponsor developer.

Through the CIP, members can apply for advances (loans) to support affordable housing initiatives. This loan program is unique in that financial institution members can apply for advances that the Seattle Bank extends at 10 basis points below regular price, for terms from 5 - 30 years. Rate locks are also available for periods up to 24 months. These loans are especially effective when they support housing and commercial development in distressed or rural areas where financial resources are scarce.

The AHP offers grants to member financial institutions and their community sponsors to stimulate affordable rental and homeownership opportunities for low-income households.

¹⁵⁵ Gary T. Kubatoa, *Resort's Expansion Highlights Maui Woes*, Honolulu Star Bulletin, April 2004, <http://starbulletin.com/2004/04/11/news/story4.html>,

¹⁵⁶ HCDCH, *Consolidated Action Plan*, p. 14; and interviews at HCRC, March 2003.

AHP grants have been used in a variety of ways, including to: lower the interest rate on a loan, reduce mortgage principal, fund rehabilitation and new construction, and cover down payment and closing costs. AHP is funded with 10% of the Federal Home Loan Bank of Seattle's net income each year. On average, the Seattle Bank supports about 60 projects each year and awards roughly \$7,000 for each unit developed.

The Home\$Start program provides first-time homebuyers with downpayment assistance and closing costs by matching their financial contributions with \$3 for every \$1 up to \$5,000. Households receiving public housing assistance qualify for a match of \$2 for every \$1 up to \$10,000. Funds for Home\$Start are available on a first-come, first-served basis, starting April 1. Approximately \$5.5 million was available to support homebuyers in Federal Home Loan Bank of Seattle's region in 2004.¹⁵⁷

On Oahu, those interested in purchasing a home can seek help at the nonprofit **Hawaii HomeOwnership Center**, which opened in October 2003. Services offered by the Center include educational programs for first-time homebuyers, one-on-one case management, individual credit counseling, and referrals to realtors, lenders, and insurance companies. Upon opening, the Center reported that it expected to serve more than 3,500 first-time homebuyers within its first three years, 400 of whom would actually purchase their own home.¹⁵⁸ The Hawaii HomeOwnership Center is underwritten by companies in the banking, insurance, homebuilding, lending, and realty industries, with American Savings Bank playing a large role.¹⁵⁹

¹⁵⁷ The Federal Home Loan Bank of Seattle, *Community Investment*, <http://www.fhlbsea.com/FHLBSEA/main/communityinvestment3/>.

¹⁵⁸ *Hawaii Homeownership Center to Open Doors Friday*, Pacific Business News, October 2003, <http://pacific.bizjournals.com/pacific/stories/200/10/20/daily37.html>.

¹⁵⁹ Hawaiian Electric Industries, *Affordable Housing: American Dream or Mission Impossible?*, <http://www.hei.com/hoahana/2004.Q2/08hoahana.html>.

VI. SMALL BUSINESS

Small businesses are critical to the Hawaiian economy, with 12% of employment found in firms with fewer than 10 employees, a fairly large share relative to the U.S. average.¹⁶⁰ Moreover, **the level of entrepreneurship is high**, with 12.6% of the state's workforce owning a business. The state also exhibits strong levels of business ownership by minorities and women.¹⁶¹ However, despite its small business achievements, Hawaii ranks low in its level of private loans to small business, and **there is a documented need for capital for small businesses**.¹⁶² The cost of doing business in the state is also high at 114% of the national average.¹⁶³ Finally, the overall vitality and development capacity of the business sector in Hawaii is below average, with the state exhibiting particular weaknesses in areas such as infrastructure resources and energy cost.¹⁶⁴

A. SMALL BUSINESS NEEDS

1. General Background

As of 2001, **businesses with fewer than 10 employees employed 12.0% of Hawaii's employees**, slightly above the national average for firms with fewer than 10 employees (10.7%), **ranking the state 17th-highest nationally on this measure**. Hawaii was estimated to be home to 18,195 firms that employed fewer than 10 workers, accounting for 73.9% of all firms in the state. However, in contrast to the state's above-average employment by small firms, this proportion is lower than the national average of 78.1%, with **Hawaii having the ninth-smallest proportion of small firms in the country**.¹⁶⁵ The importance of small business to Hawaii's economy is underscored by the fact that businesses with fewer than 20 employees were responsible for more than 40% of the increase in employment in the state between 2000 and 2001, hiring a net total of 4,626 employees.¹⁶⁶ Additionally, non-employer businesses and self-employment account for a substantial portion of wages in the state; as of 2003, Hawaii had 43,000 self-employed individuals.¹⁶⁷

In 2003, Hawaii had 3,658 formations of new employer firms, up 2.9% over 2002, but at the same time, it had 4,010 employer firm terminations during 2003, up 0.4% from 2002. **Business bankruptcies were up sharply in 2003**, increasing 35.8% between 2002 and 2003 (up from 53 in 2002 to 72 in 2003), the third-largest increase nationally.¹⁶⁸

¹⁶⁰ U.S. Census Bureau, *County Business Patterns 2001*, <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>.

¹⁶¹ CFED, *SADRC*, p. 109-110.

¹⁶² Hawaii Business Research Library and Hawaii Small Business Development Center (SBDC) Network, *The State of Small Business Hawaii 2003*, <http://www.hawaii-sbdc.org/reports/sosb2003/SSBS%20body.pdf>, p. 8.

¹⁶³ Economy.com, *Hawaii State Profile*, August 2004.

¹⁶⁴ CFED, *2004 Development Report Card for the State*.

¹⁶⁵ U.S. Census Bureau, *County Business Patterns 2001*.

¹⁶⁶ SBA, *2004 State Small Business Profile: Hawaii*, <http://www.sba.gov/advo/stats/profiles/04hi.pdf>.

¹⁶⁷ SBA, *Small Business Economic Indicators for 2003*, August 2004, <http://www.sba.gov/advo/stats/sbei03.pdf>, p. 16.

¹⁶⁸ *Ibid*, pp. 18-20.

2. CFED's Entrepreneurship Data from their Asset Development Report Card

Hawaii enjoys a relatively high ranking in its **entrepreneurship rate**, at **18th best in the nation**. **Some 13% of the labor force in Hawaii owns employer and non-employer firms**, compared to only 9% in Nevada, the lowest-ranked state. Breaking the business ownership data down by race and gender, Hawaii also posts a good record in business ownership by minorities and women. Hawaii is ranked **seventh best in its minority entrepreneurship rate** (a comparison of the rates of business ownership by race) and **11th best in its women's entrepreneurship rate**.¹⁶⁹

Interestingly, however, Hawaii is ranked quite low **at 43rd in private loans to small business** (measured as the dollar amount of private business loans under \$1 million per worker), indicating a potential problem with access to credit to the state's large number of small businesses. And **looking by gender and race, there are also indications of a lack of adequate business capital**. Hawaii ranks **34th in its business ownership value by gender** and ranks **worst in its business ownership value by race**, indicating that minority- and women-owned firms in the state have relatively low values on average.¹⁷⁰

3. CFED's Data from their Development Report Card for the States

CFED's other report that ranks the 50 states, the *2004 Development Report Card for the States*, examines each state's "Performance," "Business Vitality," and "Development Capacity." While not explicitly focused on small business, this report does provide insight into the health and vitality of the overall business sector in the state. In 2004, **Hawaii received a grade of "B" in Performance and grades of "F" in Business Vitality and Development Capacity**. Looking more closely within the categories, Hawaii displays a mix of a few strengths and many weaknesses.

Within the Performance category, **Hawaii shows particular strength in resource efficiency**, displaying the lowest per capita energy consumption and the second lowest vehicle miles traveled. In 2004, **Hawaii also stood out for its average annual pay growth**, which was the highest in the nation. Hawaii's trouble spots within Performance include involuntary part-time employment (worst in the nation), homeownership, and long-term employment growth potential. Within the Business Vitality category, **Hawaii ranks relatively poorly on industrial diversity, job growth due to new businesses, and technology industry employment**, dragging its grade down. The state's one bright spot within this category is a top 10 ranking in manufacturing investment. Within the Development Capacity category, Hawaii shows relative strengths in some sub-categories where it receives "C" grades, including human resources, amenity resources and natural capital, and innovation assets. **Particular high points for the state include urban mass transit (third best nationwide), health professionals (also third best), and air quality (best nationwide)**. However, Hawaii ranks near or at the bottom for several other measures in this category, including average teacher salary, K-12 education expenditures,

¹⁶⁹ CFED, *SADRC*, pp. 107-111.

¹⁷⁰ *Ibid*, pp. 108-112.

energy costs, conversion of cropland to other uses, highway performance, and bridge deficiency.¹⁷¹

CFED also tracks changes over time for selected measures within each category. Positive trends for the state include strong rankings in change in venture capital investments, change in private research and development, change in unemployment, and five-year change in new companies. Negative trends for the state include poor rankings on change in uninsured low-income children, change in renewable energy, change in business closings, and change in math proficiency.¹⁷²

4. Progressive Policy Institute's 2002 State New Economy Index

Another report, the *2002 State New Economy Index* released by the Progressive Policy Institute, attempts to use a relatively new set of economic indicators to measure the transformation of a state from a traditional manufacturing economy to a newly emerging economy based on ideas, innovation, and technology. The index is composed of 17 economic indicators summarized under five primary categories: Knowledge Jobs, Globalization, Economic Dynamism and Competition, the Transformation to a Digital Economy, and Technological Innovation Capacity. In the Progressive Policy Institute's index, **Hawaii ranks only 35th-best, a decline from 1999's ranking of 26th**. The state would rank even lower except for high marks in Foreign Direct Investments (the top ranking in the nation) and Education Level of the Manufacturing Workforce (although Hawaii's manufacturing sector is small anyway, and this may actually indicate underemployment of degreed individuals in Hawaii due to limited employment opportunities).¹⁷³

5. Small Business Survival Index

Each year, the Small Business & Entrepreneurship Council publishes its *Small Business Survival Index*, which ranks each state on its policy environment for entrepreneurship. In the most recent report, released in October 2004, **Hawaii ranked second to last among the states, meaning it has the second-least friendly policy environment for entrepreneurship**. Only California ranked behind Hawaii. Hawaii's 2004 ranking was a slight improvement from its 2003 ranking of least friendly. On individual categories provided in the appendices to the report, Hawaii's rankings were as follows:¹⁷⁴

- Top personal income tax rate: 8th highest (worst)
- Top capital gains tax rate: 11th highest (worst)
- Top corporate income tax rate: 18th lowest (best)
- Property tax as a share of personal income: 6th lowest (best)
- Sales, gross receipts, and excise tax: 2nd highest (worst)

¹⁷¹ CFED, *2004 Development Report Card for the States*.

¹⁷² Ibid.

¹⁷³ Robert Atkinson, Progressive Policy Institute, *The 2002 State New Economy Index*, June 2002, <http://www.neweconomyindex.org/states/2002/>.

¹⁷⁴ Small Business & Entrepreneurship Council, *Small Business Survival Index 2004*, http://www.sbsec.org/Media/pdf/SBSI_2004.pdf.

- Adjusted unemployment tax rate: 6th highest (worst)
- Per capita health care spending: 22nd highest (worst)
- Electric utility costs: highest (worst)
- Workers compensation premiums: 3rd highest (worst)
- Crime rate: 2nd highest (worst)
- Number of state and local government employees: 21st highest (worst)
- State gas tax: 7th lowest (best)

6. Milken Institute Cost of Doing Business Index

The Milken Institute publishes a yearly Cost of Doing Business Index, comparing business costs in each state. On the Institute's 2003 Index, **Hawaii's business costs were 34.1% above the national average, making it the most expensive state in the country in which to do business.**

The Index is made up of five sub-indexes: wage cost, tax burden, electricity cost, office (real estate) cost, and industrial (real estate) cost. On these five sub-indexes, Hawaii ranks worst in the country on tax burden, industrial real estate cost, and electricity cost. Wage costs is the only sub-index on which Hawaii does not rank in the ten worst states in the country.¹⁷⁵

7. Hawaii's Small Business Development Center Network's 2003 Survey

Hawaii's Small Business Development Center (SBDC) Network produced its third annual survey of small businesses in Hawaii in 2003, canvassing 500 small business owners and managers in the state. Major findings of the survey were that **only about one third of small businesses saw a sales increase in 2002 and one quarter saw a decline** and **80% said they were adversely affected by September 11th**. Nevertheless, small businesses were **optimistic about the economy in 2003**, with **58.9% expecting their sales to increase** during the year.¹⁷⁶

The survey also indicated that **12.1% of small businesses had applied for loans** (equating to some 4,700 firms) **and 11.5% of small businesses reported that a negative impact on their business was an inability to obtain capital or loans.**¹⁷⁷ In a roundtable discussion held in Honolulu in April 2003, several attendees expressed a "huge need" for financial literacy among the state's entrepreneurs. They also saw a potential opportunity for greater local involvement in military contracting, which is currently dominated by large mainland firms.

¹⁷⁵ Milken Institute, *State of California 2004 Conference Briefing Book*, October 2004, pp. 50-56.

¹⁷⁶ Hawaii Business Research Library and Hawaii SBDC Network, *The State of Small Business in Hawaii 2003*, <http://www.hawaii-sbdc.org/reports/sosb2003/sosb2003.htm>, pp. 2-3.

¹⁷⁷ *Ibid*, p. 8.

B. SMALL BUSINESS RESOURCES

1. CFED's Small Business Development Policy Rankings

Hawaii is credited with having: **a) a finance program to assist asset-poor farmers; and b) legislation** which provides various initiatives **to support employee ownership**. On the other hand, Hawaii is criticized for not having: **a) a capital access program; b) a microenterprise policy; c) a state CDFI program; or d) a self-employment option for unemployment insurance.**¹⁷⁸

2. The Small Business Regulatory Review Board

Hawaii's Small Business Regulatory Review Board, administratively attached to the Department of Business, Economic Development and Tourism, was established on July 1, 1998 with passage of the Small Business Regulatory Flexibility Act. The Board is comprised of current or former owners or officers of small businesses from across the State, appointed by the Governor with the consent of the Senate. **The Board is charged with considering any request from small business owners for review of any rule adopted by a state agency and making recommendations to the agency or the legislature regarding the need for a rule or legislative change.** For requests regarding county rules, the board may make recommendations to the county council or the mayor for appropriate action.

The specific duties of the Small Business Regulatory Review Board include:

- commenting on small business petitions and complaints;
- identifying and commenting on burdensome proposed or existing rules and regulations;
- providing comment on Small Business Impact Statements to the rule-drafting agency;
- making recommendations to agencies or the legislature regarding the need for a rule or legislative change; and
- making recommendations to the county councils or the mayors regarding county rules.¹⁷⁹

3. The Small Business Development Center (SBDC) Network

The Small Business Development Center (SBDC) Network provides a variety of support services for small or new businesses, including training, free consulting, business plan assistance, business planning and research, and confidential counseling. The Network operates through five service centers distributed over the islands of Kauai, Oahu, Maui, and Hawaii, and operates two specialty service centers: the Hawaii Business Research

¹⁷⁸ CFED, *SADRC*, pp. 144-149.

¹⁷⁹ DBEDT, *Small Business Regulatory Review Board*, <http://www2.hawaii.gov/DBEDT/index.cfm?section=SMSD427>.

Library on Maui and the Rural Development Specialty Center. The SBDC Network receives both U.S. Small Business Administration funding and state funding.¹⁸⁰

In the SBDC Network's *State of Small Business Hawaii 2003* report, the SBDC Network **made several major recommendations to assist the small business sector in Hawaii:**

- first, the State **should actively promote a broad range of types of businesses** across all industries, not just high technology;
- second, the State needs to **actively promote the availability of capital—both equity and loans**. These programs should include loans to the “unbankable” businesses that do not qualify for commercial loans because they are start-ups or have less-than-sterling credit. Venture capital also needs to be more actively encouraged;
- third, the State should **promote training in the form of consulting and workshops** in order to foster the knowledge of entrepreneurship; and
- lastly, the State should **actively promote the availability of critical information to business people**, including the availability of technology information.¹⁸¹

4. The Hawaii Strategic Development Corporation

Hawaii created the Hawaii Strategic Development Corporation (HSDC) in 1990 in order to promote economic development and diversification in conjunction with private enterprise. While almost all industry sectors are eligible for financing, emphasis is given to investment opportunities that further technological innovation. The investment by HSDC is made indirectly through investments in venture capital limited partnerships, and the managers of these partnerships then pool the funds of a number of investors, leveraging the public funds. Thus far, **HSDC has committed \$13.5 million to seven limited partnerships**, which provide equity and/or debt financing to companies ranging from seed stage to later stage in their business development. It has also formed a diversified venture capital Fund of Funds.¹⁸²

5. The High Technology Development Corporation

The Hawaii State Legislature created the **High Technology Development Corporation (HTDC) 20 years ago to develop and grow Hawaii's fledgling high technology sector through a variety of promotional, incubation, and support services.** HTDC is an agency of the State of Hawaii and is administratively attached to the Department of Business, Economic Development, and Tourism. Its statutory duties include:

- developing industrial parks and high technology innovation centers;

¹⁸⁰ Hawaii SBDC Network, *State Strategic Plan, A Basic Management Document, 1998-2003*, January 2002, <http://www.hawaii-sbdc.org/>, p. 8.

¹⁸¹ Hawaii Business Research Library and Hawaii SBDC Network, *The State of Small Business in Hawaii 2003*, pp. 11-12.

¹⁸² Hawaii Strategic Development Corporation, *About HSDC*, <http://www.htdc.org/hfdc/about.html>.

- providing managerial, administrative, financial, and support services for high technology companies;
- promoting and marketing Hawaii as the preferred site for high technology commerce;
- collecting and analyzing information on new and evolving commercial high technology activities; and
- making recommendations on policy and plans for new technology-based economic development.

As of 2003, HTDC had contributed to over 287 jobs and over \$18.6 million in revenues via its incubation programs, facilitated Hawaii applications for SBIR and other federal research and development (R&D) monies for small business innovation in excess of \$31 million dollars, and administered over \$44 million in federal R&D funds for alternative energy development.¹⁸³

6. U.S. Small Business Administration

Working through local financial institutions, the Small Business Administration (SBA) operates its usual loan guarantee programs in Hawaii including the 7(a) and 504 programs. The SBA in Hawaii also partners with the SBDC Network, the Service Corps of Retired Executives (SCORE), and the Hawaii Women's Business Center in operating the Business Information and Counseling Center (BICC), which offers clients a library and counselors in one location. The SBA's particular focus in Hawaii is on women, minorities, veterans, and businesses involved in international trade.

7. Small Business Hawaii

Small Business Hawaii (SBH) began in 1975 order to provide effective advocacy for growing numbers of very small businesses, although it accepts within its membership any size business. SBH works to improve the business climate for all businesses, large and small, and to create jobs and enhance and diversify Hawaii's economy. SBH is supported by voluntary member dues and does not accept any government tax or grant money. The organization provides group member benefits, such as group employee benefit plans, advocacy, a referral service, and member discounts, to more than 2,500 businesses and provides small business-related information to the Hawaii public.¹⁸⁴

8. Service Corps of Retired Executives (SCORE)

The SCORE Association is a nonprofit organization dedicated to providing counseling to individuals interested in starting a small business. SCORE partners with the SBA to provide educational services and counseling. SCORE of Hawaii provides services through its main office in Honolulu and in its new Maui office. Services provided

¹⁸³ High Technology Development Corporation, *2003 Annual Report*, http://www.htdc.org/ar/HTDC_AR-03.pdf, p. 2.

¹⁸⁴ Small Business Hawaii, *About Small Business Hawaii*, <http://www.smallbusinesshawaii.com/SBHabout.html>.

include seminars and workshops on various business topics, as well as free one-on-one counseling with business professionals, both working and retired, who volunteer their time to help new entrepreneurs.¹⁸⁵

¹⁸⁵ Hawaii SCORE Chapter, <http://www.hawaiiscore.org/>.

VII. POVERTY AND ASSET ACCUMULATION

In poverty and asset accumulation, Hawaii's results are mixed, but the underlying deficiencies are quite serious. Hawaii's overall poverty rate is slightly lower than the U.S. average, and the state ranks in the middle of the states on this measure. Additionally, the state ranks first nationally in mean net worth, although this statistic is particularly influenced by high home prices.¹⁸⁶ However, while **high home prices support the overall level of household net worth, the state's mean net worth ranking masks serious problems**. Chief among these problems is the state's ranking as **among the worst** in the nation in its percentage of **households with zero or negative net worth**, which indicates a high level of people living at the margin and underscores the importance of mechanisms, such as IDA programs, to help boost savings.

A. POVERTY AND ASSET ACCUMULATION NEEDS

1. Poverty Statistics

Approximately **11% of Hawaii's population lived in poverty during the years of 2001 through 2003**, slightly lower than the U.S. average of 12.1%. Using the three-year average for 2001-2003, **Hawaii had the 23rd-lowest percentage of residents at or below the poverty level in the U.S.** Additionally, **9.9% of Hawaii residents, on average, lacked health insurance during the same time period**, much better than the 15.1% of the U.S. population that lacked health insurance. Based on the 2001-2003 three-year average, **Hawaii had the eighth-lowest (best) percentage of residents with no health insurance coverage.**¹⁸⁷

As illustrated by the table on the following page, **poverty levels vary widely between counties in Hawaii**, ranging from 40.1% of individuals living below the federal poverty level in Kalawao County to just 9.9% living below the federal poverty level in Honolulu County.

If low-income individuals are defined as those living below 200% of the Federal Poverty Level (FPL), estimates by the Urban Institute and Kaiser Commission on Medicaid and the Uninsured suggest that a total of 37% of Hawaii's population would have qualified as low income during 2002-2003, putting the state in the bottom half of the country on this measure.¹⁸⁸

¹⁸⁶ CFED, *SADRC*, p. 42.

¹⁸⁷ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2003*, pp. 23, 25, 68-69.

¹⁸⁸ Henry J. Kaiser Family Foundation. *Distribution of Total Population by Federal Poverty Level, State Data 2002-2003, U.S. 2003*, <http://www.statehealthfacts.kff.org>.

Poverty Levels by County in Hawaii During 1999

County	% of Individuals	% of Families
Statewide	10.7%	7.6%
Hawaii County	15.7%	11.0%
Honolulu County	9.9%	7.0%
Kalawao County	40.1%	--
Kauai County	10.5%	8.4%
Maui County	10.5%	7.7%

Source: U.S. Census Bureau, Census 2000 Data.

2. Personal Bankruptcy Filings

On measures of personal bankruptcy, Hawaii ranks better than average nationally. For the 12-month period ended March 31st, 2004, the state's personal bankruptcy rate was 7.9 filings per thousand households, compared to a national average rate of 13.7 filings per thousand households. **During this time period, Hawaii had the fifth-lowest (best) rate of filings.**¹⁸⁹

3. CFED Asset Outcome Ranking

In CFED's *State Asset Development Report Card*, **Hawaii did fairly well in asset outcomes, receiving a grade of "B"**. The relatively high grade was supported by Hawaii's **high mean net worth** and **low gap in wealth accumulation by race, but offset by its high percentage of the population that are either asset poor or that have zero net worth**. While CFED looked at a range of data in reaching its "B" grade for Hawaii, including human capital and business capital measures mentioned elsewhere in the report, the relevant asset accumulation measures are described below.¹⁹⁰

a. **CFED's Net Worth and Asset Poverty Statistics**

Most importantly, Hawaii **ranked first in the nation in mean net worth** at **\$164,318** (defined as the sum of assets attributable to any individual 15 years and above in the household less any liabilities). The **driver of this top ranking is home prices**, as Hawaii is also shown to have a particularly **high median home value**, which should correlate to high home equity, though as previously mentioned, this undoubtedly is a major contributor to Hawaii's low homeownership rate.¹⁹¹

¹⁸⁹ American Bankruptcy Institute, *Households Per Filing, Rank During the 12-Month Period Ended March 31, 2004*, [tp://www.abiworld.org/statcharts/HouseRank.htm](http://www.abiworld.org/statcharts/HouseRank.htm).

¹⁹⁰ CFED, *SADRC*, p. 42.

¹⁹¹ *Ibid*, pp. 85, 94.

Hawaii ranks very poorly, **at fourth-worst in the nation**, in an alternate measure of net worth. Just over **18%** of Hawaiian **households have zero (or less than zero) net worth** (compared, for example, to about 9% of households in Iowa—the state with the lowest percentage). Hawaii **also ranks poorly, though somewhat less so, in another measure used by CFED, this one denoting “asset poverty,”** defined as the percentage of households without sufficient net worth to subsist at the poverty level for three months without other support. By this measure, Hawaii **ranks 40th in the nation**, with **25.2% of households defined as asset poor** (compared to only 14.2% of households in the top-rated state, again Iowa).¹⁹²

b. CFED’s Human Capital and Insurance-Related Statistics

Hawaii’s rankings are mixed in the areas of “**human capital**,” which CFED also considers in its overall asset outcomes rankings. The state **ranks 24th in the nation in the percentage of children in poverty served by Head Start**, with 21% covered, compared to 46% covered in Alaska, the top-ranked state. However, Hawaii **ranks only 35th and 39th** in a ranking of basic proficiency in math and reading, respectively, for fourth graders.¹⁹³

The state exhibits greater strength with regard to higher education. Hawaii **ranks eighth** in the nation in the percentage of population over 25 **who have an associate’s degree** (at 8%). And it **ranks 20th** in the nation in the percentage of heads of households with at least **four years of college**. Moreover, when its educational attainment is broken down by race and gender, Hawaii also enjoys high marks, with the **second smallest gap in the nation in college attainment between white and non-white heads of households**, and the **10th-smallest gap in college attainment between male- and female-headed households**. However, the state ranks **10th worst in the gap in college attainment between the top income quintile and the bottom income quintile**, indicating a poor record of providing educational opportunities at the college level to the poorest in the state.¹⁹⁴

Finally, CFED examines several rankings on **health insurance coverage** to augment its overall asset outcomes rankings in order to factor in the protection provided by such policies to loss or depletion of households assets from large medical costs. Hawaii **posts strong results in these asset protection measures**, ranking **14th best** in the nation in the percentage of non-elderly population **covered by employer-based health plans** (72% of the population). Hawaii also ranks **best** in the nation in having the **lowest percentage of parents** living in families with income below 200% of poverty **without health insurance** and **11th best** in the nation in the **lowest percentage of children** in the same families **without health insurance**.¹⁹⁵

¹⁹² Ibid, pp. 88, 91.

¹⁹³ Ibid, pp. 99-100.

¹⁹⁴ Ibid, pp. 101-105.

¹⁹⁵ Ibid, pp. 117-119.

4. The Asset Development Institute's Asset Index

In September 2002, the Asset Development Institute at Brandeis University published a report entitled *The Asset Index: Measuring The Progress Of States In Promoting Economic Security And Opportunity*. The report presents state-by-state data on individual outcomes for job-based and related income assets, human capital, and financial assets. These outcomes are the primary indicators of the economic security people have and the opportunity they enjoy. For each of these three categories, the report presents a cluster of indicators that point to important related asset-based outcomes and provides the numerical outcome for residents on each indicator as well as a national rank on each indicator (for all indicators, 1st is “best” and 50th is “worst”).

For Hawaii, the research indicates that **the state ranks among the top 10 best states for six of the 39 measured indicators, but ranks among the worst 10 states on eight of the indicators**, representing approximately one fifth of indicators. The state's **worst rankings are in the areas of involuntary part-time work, income relative to basic needs, homeownership, and asset inequality**. The state's **best rankings are in the areas of ownership of interest-paying assets, education (dropping out of high school), poverty, and median income**. The study's authors conclude that “residents of Hawaii, compared to those of other states, have had relatively less success in gaining job-based and related income assets, and mixed success in building human capital and accumulating financial assets.”¹⁹⁶

B. POVERTY AND ASSET ACCUMULATION RESOURCES

1. State Income Support Programs

The poor in Hawaii are **served primarily by the Temporary Assistance to Needy Families (TANF) program**. **During 2002-2003, Hawaii's TANF caseload declined substantially**, decreasing more than 20% from December 2001 through December 2003.¹⁹⁷ One unique feature of Hawaii's TANF program is that nearly 28% of the state's caseload is comprised of individuals and families receiving assistance through the Temporary Assistance to Other Needy Families (TAONF) program, which is funded with state dollars. Recipients of aid under this program include two-parent families and non-citizens. The TAONF program was included in the original state TANF plan.¹⁹⁸

¹⁹⁶ The Asset Development Institute, *The Asset Index: Measuring The Progress Of States In Promoting Economic Security And Opportunity*, September 2002, <http://www.centeronhunger.org/pdf/ASSETINDEX.pdf>, pp. 38-39.

¹⁹⁷ U.S. Department of Health & Human Services, Administration for Children & Families, *Change in Numbers of TANF Families and Recipients from December 2002 to 2003*, http://www.acf.hhs.gov/TANF_data.htm and *Total Number of Families and Recipients for 1st Quarter FY 2002*, <http://www.acf.dhhs.gov/news/stats/tanf.htm>.

¹⁹⁸ National Conference of State Legislatures, *Welfare Caseload Watch*, October 2004, <http://www.ncsl.org/statefed/welfare/caseloadwatch1004.htm>.

2. Office of Community Services (OCS)

Hawaii's Office of Community Services is a division of the Department of Labor and Industrial Relations that is **mandated to provide assistance to the state's low-income, immigrant, and refugee populations**. OCS describes its purpose as "to facilitate and enhance the development, coordination, administration, and delivery of effective programs to those in need and to provide advice and guidance to the executive branch, non-profit and private sector human service agencies, and the legislature."

OCS' goals and duties include the following:

- establish statewide goals and objectives relating to economically disadvantaged persons, immigrants, and refugees;
- conduct research studies via the state and county government departments or agencies responsible for providing employment, social welfare, education, health, and related services concerning the needs of economically disadvantaged persons, immigrants, and refugees throughout the state;
- review legislation pertaining to programs within the purview of the Office and appropriations made for services to the economically disadvantaged, immigrants, and refugees, recommend revisions and additions, and report to the governor regarding such legislation;
- evaluate the availability, adequacy, and accessibility of all services for target clientele within the state;
- assist and coordinate the efforts of all public and private agencies providing services that affect the economically disadvantaged, immigrants, and refugees, and report such facts and OCS' recommendations to the governor and to the state legislature;
- maintain contacts with local, state, and federal officials and public/private agencies concerned with planning for the economically disadvantaged, immigrants, and refugees; and
- encourage and foster local action on behalf of the economically disadvantaged, immigrants, and refugees.

OCS-funded programs (excluding Hawaii Food Bank and The Emergency Food Assistance Program) targeted for low-income persons served 64,048 persons statewide in FY 2002.¹⁹⁹

3. Asset Building Initiative of Hawaii (ABIH)

The Asset Building Initiative of Hawaii (formerly the Hawaii IDA Collaborative), established in early 2003, is a collaboration of organizations interested in supporting asset-building opportunities for Hawaii's low-income residents. ABIH member organizations come together to share best practices and resources, advocate and educate, and develop capacity within local non-profit organizations so that they can provide efficient, effective IDA and other asset building opportunities. ABIH makes it easier for

¹⁹⁹ Office of Community Services, *2002 Annual Report*, <http://dlir.state.hi.us/divisions/ocs/pdf/library/ocsfy2002annualreport.pdf>.

community-based organizations to offer IDAs to their clients; help broaden the reach of Hawaii asset-building programs; facilitate learning and expertise; and put charitable dollars to their most efficient use.

The current focus of ABIH is the success of the Hawaii IDA Fund (described in more detail below). Other projects include providing technical assistance to new and existing IDA programs, savings data administration and evaluation, and resource coordination, as well as asset building advocacy and education.²⁰⁰

4. Hawaii IDA Fund

The Hawaii IDA Fund is an alliance of several nonprofit and governmental organizations, including: Aloha United Way; Alu Like Inc.; American Savings Bank; Bank of Hawaii; City and County of Honolulu; Goodwill Industries of Hawai'i Inc.; Hawaii Alliance for CBED; Parents and Children Together; and the State of Hawai'i. The organization formed in order to raise matching funds for IDAs in Hawaii before the state tax credit for matching fund donors ended in December 2004. The goal of the Fund was to bring in enough donations to allow it to match up to \$5,000 for low-income individuals or up to \$10,000 for low-income families.²⁰¹

5. Hawaii Asset Building Coalition (Hawaii ABC)

The Hawaii Asset Building Coalition (Hawaii ABC) was founded in 2002 by a group of nonprofits, businesses, financial institutions, and government agencies to help qualified working families and single individuals keep more of their income by filing for the Earned Income Credit or Child Tax Credit. Hawaii ABC's specific goals are to: improve awareness and educate the public about the Earned Income Credit, to enable access to free assistance and electronic filing of simple federal income tax returns for eligible EIC individuals, and to connect EIC recipients to financial asset-building opportunities that will increase financial literacy and encourage savings and participation in individual development accounts.

Hawaii ABC members include: Honolulu Community Action Program, Inc.; Volunteer Legal Services Hawai'i; AARP; Aloha United Way; Bank of Hawaii; Chaminade University; Consuelo Foundation; Department of Housing and Urban Development; Good Beginnings Alliance; Goodwill Industries Hawai'i; Hawai'i State Department of Taxation; Honolulu Board of Realtors; Internal Revenue Service; O`ahu WorkLinks; Office of Community Services; UH West O`ahu Accounting Club; and SIFE.²⁰²

²⁰⁰ Aloha United Way, *Asset Building Initiative of Hawaii*, <http://www.auw.org/community/ida/asset.asp>.

²⁰¹ Dan Nakaso, *Program Helps Working Poor*, Honolulu Advertiser, June 2004, <http://the.honoluluadvertiser.com/article/2004/Jun/07/bz/bz10a.html>.

²⁰² Volunteer Hawaii, *Hawaii Asset Building Coalition*, <http://volunteerhawaii.org/org/2865795.html>.

6. CFED's Asset Policy Rankings

CFED gives Hawaii an **overall grade for asset policies of only a "C."** While CFED **lauds Hawaii's affordable homeownership policies** (described in the affordable housing section) and strong asset protection policies, it **cites a need for greater small business assistance programs** (described in the small business section). Some of the other individual rankings that lead to this ranking are detailed below.²⁰³

a. IDA Policy

Hawaii is **criticized in the CFED report for providing no state appropriations for IDA's** and for not including IDA's in its TANF plan, although it does receive credit for operating a state IDA program.²⁰⁴ However, in 2000, the State passed legislation to set aside \$1 million to fund a special state income tax credit equal to 50% of any IDA contribution.²⁰⁵

b. Other CFED Financial Asset Building Policy Rankings

Hawaii ranks relatively poorly **at 37th** in the nation in its **income tax threshold**—the level at which residents begin paying income taxes, which is \$9,200 in Hawaii, compared to a level above \$20,000 in a great number of states. Hawaii also **lacks a state earned income tax credit** found in a number of states. Hawaii receives credit for having a **state minimum wage higher than the federal minimum wage**, but is criticized for having **too low a limit on "countable assets" for TANF recipients and Medicaid recipients**, though it does receive some credit for **allowing the exclusion of the value of a vehicle under TANF.**²⁰⁶

c. CFED's Human Capital Development Policy Rankings

Hawaii's **rankings by CFED for its Human Capital Development Policies are mixed.** On the one hand, Hawaii is **credited with having supplementary funds for Head Start** and is **ranked 20th** in the nation in its **per capita funding for customized job training.** Most positively, it is **ranked first** in the nation in its **school spending equalization**, which is measured as the ratio of the amount spent on pupils below the median in a state to the amount needed to be spent to achieve "equity."²⁰⁷

On the negative side, Hawaii is criticized for **lacking a state-funded pre-kindergarten program** as well as for **not providing matching grants to college savings plans.** The state is **ranked 44th** in the nation in its **need-based aid to undergraduates per resident**

²⁰³ CFED, *SADRC*, p. 42.

²⁰⁴ *Ibid.*, p. 121.

²⁰⁵ Tax Foundation of Hawaii, *Weekly Commentary: Helping the Poor with Contributions to IDA's*, June 2000.

²⁰⁶ CFED, *SADRC*, pp. 122-126.

²⁰⁷ *Ibid.*, pp. 135, 138-139.

population and is **ranked 49th** in its **per-pupil expenditures for K-12 students** from federal, state, and local sources.²⁰⁸

d. CFED’s Wage Protection Policy Rankings

Hawaii earns high marks on the range of wage protection policy measures monitored by CFED. The state **ranks 24th best** in the nation in the **percentage of employees in a state covered by workers compensation** (88%) and **ranks 7th best in the nation on a workers compensation benefit index** that calculates a ratio of the benefits under current law to benefits under a model act of the Advisory Committee on Worker’s Compensation on the Council of State Governments. Hawaii also **ranks first** in the nation for its **unemployment insurance benefit level** relative to wages, and is credited for having **several unemployment insurance reforms** (covering workers who only earn the minimum wage and eliminating restrictions on seeking part-time work) **as well as for having specific family leave benefits** (temporary disability insurance).²⁰⁹

e. CFED’s Health Insurance Policy Rankings

Finally, Hawaii does well in CFED’s examination of its health insurance policies as they relate to asset accumulation. The state **ranks 15th best in the nation in the level of its extension of Medicaid to parents** and is credited with having **expanded Medicaid to low-income adults without children**. However, the state is **criticized for providing only a year of transitional medical assistance** after a family’s income rises about the state’s Medicaid income-eligibility threshold and for **lacking a state subsidy for small business health care coverage**.²¹⁰

f. CFED’s Property Protection Policy

Finally, CFED finds two property protection policies **absent** in Hawaii: **a) anti-predatory lending legislation; and b) a state disclosure requirement for property insurers to guard against redlining**.²¹¹

²⁰⁸ Ibid, pp. 136-137, 140-141.

²⁰⁹ Ibid, pp. 154-160.

²¹⁰ Ibid, pp. 162-165.

²¹¹ Ibid, pp. 167-169.

VIII. NATIVE HAWAIIANS AND IMMIGRANTS

Finally, **Hawaii has its own unique community development needs centered on its Native Hawaiian population and its immigrant people.** The state's large Native Hawaiian/Pacific Islander (only) population, which at 9.4% of the state's population is larger than most states' Native populations, is **poorer than the non-native population and has greater housing needs.**²¹² **Hawaii also has a large proportion of foreign-born residents, home to the fourth-highest proportion nationally.** Overall, Hawaii's immigrants are more likely to be U.S. citizens than immigrants nationwide and less likely to live in poverty,²¹³ but recently-arrived **immigrants and refugees face multiple transitional problems** and are often hindered by language and culture barriers. While a number of institutions in the state provide support to both groups, clearly additional housing and other services—including in areas such as financial education—are critically needed.

A. NATIVE HAWAIIAN NEEDS

1. Statistics on Native Hawaiians

Based on Census 2000 data, **113,539, or 9.4% of Hawaii's population, identify as Native Hawaiian/Other Pacific Islander (only),** a larger proportion than most state's native populations. However, **the State of Hawaii uses a different definition of Native Hawaiians** (at least for a number of legislative purposes), which is that Native Hawaiians are **people with at least 50% Hawaiian blood and their successors or assignees of less than 50% Hawaiian blood.** Using this definition, estimates of the Native Hawaiian population living in Hawaii range from 45,000 to 70,000. However, one common working definition is derived by combining those individuals **currently living on Hawaiian home lands (22,539)** and those who have **applied to the Department of Hawaiian Home Lands' waiting lists (20,794),** yielding a **total of 43,333.**²¹⁴

According to a 1995 HUD study, **Native Hawaiians are more likely than non-natives to reside on islands other than Oahu,** which is not surprising given that the bulk of the home lands are found on the outer islands of Hawaii, Maui, Molokai, and Kauai. A 2003 update of the HUD study showed that **62% of households on Hawaiian home lands were below 80% of the median income, up from 41% of residents on the home lands below 80% in 1995.** Moreover, **for low-income Native Hawaiians, housing needs are severe,** with **68% experiencing some kinds of housing problems** such as affordability, overcrowding, structural quality, availability or some combination of these problems. **Seventy-five percent of very low income Native Hawaiians face one or more of these housing problems.**²¹⁵

²¹² U.S. Census Bureau, Census 2000 Data.

²¹³ Ibid.

²¹⁴ Department of Native Hawaiian Home Lands (DHHL), State of Hawaii, *Native Hawaiian Housing Plan*, 2004, <http://www.state.hi.us/dhhl/accepted.2004nhhp.pdf>, p. 6.

²¹⁵ Ibid, pp. 6-8.

Native Hawaiians are more likely to live in **older housing** and have **lower rates of homeownership**. Only 38% of Native Hawaiians own their own home in urban Honolulu compared to 48% for non-natives, and the disparity continues in other urban areas of the state, where 51% of Native Hawaiians own their homes compared to 60% of non-natives. However, the results are dramatically different on Hawaiian home lands, where nearly 100% of the units are owner-occupied.²¹⁶

Native Hawaiians tend to be **considerably younger** than non-natives, and their **families tend to be larger** and more likely to **include more than one family**. This is especially true on the home lands, where 24% of households include more than one family, compared to 9% of non-native households in the state. **Formal education levels are lower** for Native Hawaiians, with only 9% graduating from college compared to 24% of the non-native population.²¹⁷

2. Native Hawaiian Federal Recognition Bill

There is currently an initiative in Congress to enact legislation that would **give Native Hawaiians parity with the more than 550 Native American and Alaska Native sovereign entities** recognized by the federal government. The bill, the Native Hawaiian Federal Recognition Bill, or ‘Akaka Bill,’ appears to be supported by the Native Hawaiian community and most of the political establishment of Hawaii and **would be a crucial first step in protecting** the hundreds of health, education, housing, employment, economic development, and arts and culture **programs that benefit the Hawaiian community**. **Currently, these programs are subject to legal challenges on the grounds that they are a form of race-based discrimination.**²¹⁸ As of the end of the 108th Congress in December 2004, the bill had not yet received a full vote in the Senate due to the personal opposition of one senator to the bill, but a vote was promised for the 2005 session.²¹⁹

B. NATIVE HAWAIIAN RESOURCES

1. Department of Hawaiian Home Lands

The Department of Hawaiian Home Lands (DHHL) **manages the Hawaiian Home Lands**, an extensive land trust of **over 200,000 acres** on the islands of Hawaii, Maui, Molokai, Lanai, Oahu, and Kauai. **Beneficiaries can receive 99-year homestead leases at \$1 per year for residential, agricultural, pastoral, or aquacultural purposes**, and the leases can be extended for up to an additional 199 years. Beneficiaries **may receive financial assistance** through direct loans or loan guarantees for home construction, home

²¹⁶ Ibid, p. 8.

²¹⁷ Ibid.

²¹⁸ DHHL, *Ka Nuhou*, Volume 29, No. 1, April 2003; and the Office of Hawaiian Affairs, *OHA Board Unanimously Supports the Intent of S. 344 Seeking Federal Recognition of Native Hawaiians*, February 2003.

²¹⁹ NativeHawaiians.com, *Federal Recongnition Bill Status Update*, October 2004, <http://www.nativehawaiians.com/FedRecBillUpdate.html>.

replacement or repair, or development of farms and ranches. DHHL also provides technical assistance to farmers and ranchers.²²⁰

DHHL is governed by the Hawaiian Homes Commission and also leases trust land not in homestead use at market value and issues revocable permits, licenses, and rights-of-entry. The income derived from these enterprises is used to supplement DHHL's programs, including additional homestead development. DHHL has also established partnerships with other organizations to develop schools and other community facilities on the Home Lands.²²¹

2. Office of Hawaiian Affairs

Under the direction of nine trustees elected statewide, the Office of Hawaiian Affairs operates as **both a government agency and a trust, with a mandate of “providing the opportunity for a better life and future for all Hawaiians.”** The Office is funded through a mix of trust funds and annual legislative appropriations, and pursues its mission through a combination of its own programs, by funding other community-based organizations, and through advocacy.²²²

3. Other Native Hawaiian Organizations

Other organizations important to Native Hawaiians include **Kamehameha Schools** (for education), the **Queen Emma Foundation** (medical care), the **Queen Lili'uokalani Trust** (for children's welfare), and the **Lunalilo Trust** (for kupuna care).

Hawaii also benefits from a number of community-based organizations that focus on the specific community development needs of Native Hawaiians, covering areas such as neighborhood safety, education, affordable housing, health concerns, and cultural preservation. Recognizing a need for Native Hawaiian organizations to work together in collaborative areas such as information sharing, training, and empowerment, in 2001 the **Council for Native Hawaiian Advancement** was launched. It currently offers a number of programs providing technical assistance and consulting services to community-based nonprofits, all aimed at capacity building for these organizations. The Council also sponsors an annual conference on Native Hawaiian issues.²²³

²²⁰ Department of Hawaiian Home Lands, <http://www.state.hi.us/dhhl/>.

²²¹ Ibid.

²²² The Office of Hawaiian Affairs (OHA), <http://www.oha.org/>.

²²³ Council for Native Hawaiian Advancement, www.hawaiiancouncil.org.

C. IMMIGRANT NEEDS

1. Immigrant Totals

According to Census 2000, **17.5% of Hawaii's population is foreign born**, which translates into 212,229 foreign-born residents. **Hawaii ranks 22nd nationally in the number of foreign-born residents, but fourth nationally in the proportion of foreign-born residents in its population.** Thirty-four percent of Hawaii's foreign-born residents entered the U.S. between 1990 and 2000, and 60.1% are naturalized citizens, compared to only 40.3% nationwide.²²⁴ As of 2000, Hawaii's immigrant and refugee population was distributed throughout the state as follows: City & County of Honolulu – 168,246, Hawaii County – 15,208, Maui County – 21,171, Kalawao County – 30, and Kauai County – 7,574.²²⁵

INS also estimates that **Hawaii had 2,000 illegal immigrants within state borders as of 2000, down from the 6,000 it estimated were in the state in 1990.** Hawaii's illegal immigrant population is among the smallest nationwide.²²⁶

2. Origin of Immigrants

The bulk of Hawaii's foreign-born residents (83.3%) were born in Asia, with the next largest groups coming from Oceania (6.3%) and Europe (4.9%).²²⁷ By country, **48% of Hawaii's foreign born were born in the Philippines**, with the next largest groups born in Japan and Korea.

Hawaii's foreign born reported their race on the 2000 Census as follows: 8.5% white, 0.5% Black/African American, 0.1% American Indian/Alaska Native, 79.9% Asian, 5.3% Native Hawaiian/Other Pacific Islander, 1.4% some other race, and 4.3% two or more races. Hispanic or Latino origin was reported by only 3.5% of Hawaii's foreign born, compared to 45.5% of foreign-born residents nationally reporting Hispanic/Latino origin.

Eighty-five percent of Hawaii's foreign-born residents report speaking a language other than English at home, and of this 85%, only 25.9% report speaking English "not well" or "not at all," compared to 35.1% reporting the same nationwide.²²⁸

Some local participants involved in assisting immigrants identified healthcare as an important continuing draw for new immigrants to Hawaii. According to a local expert, **some 7,000 immigrants come to Hawaii each year.**²²⁹

²²⁴ U.S. Census Bureau, Census 2000 Data.

²²⁵ Office of Community Services (OCS), *2002 Annual Report*, <http://dlir.state.hi.us/divisions/ocs/pdf/library/ocsfy2002annualreport.pdf>.

²²⁶ U.S. Immigration and Naturalization Service, Office of Policy Planning, *Estimates of the Unauthorized Immigrant Population Residing in the United States: 1990-2000*, January 2003, http://uscis.gov/graphics/shared/aboutus/statistics/III_Report_1211.pdf.

²²⁷ U.S. Census Bureau, Census 2000 Data.

²²⁸ U.S. Census Bureau, Census 2000 Data.

²²⁹ Interviews at Pacific Gateway Center in April 2003.

3. Poverty Levels Among Immigrants

According to Census 2000 figures, **12.7% of Hawaii's foreign-born population has incomes that put them below poverty levels, compared to 17.9% of immigrants nationwide.** Among non-citizens, Hawaii's poverty rate rises to 18.6% (compared to only 8.7% of foreign-born citizens in Hawaii).²³⁰ The bulk of Hawaii's foreign-born population resides in the City and County of Honolulu. **Immigrants and refugees face multiple transitional problems** requiring a wide range of services including employment, case management, social services, legal services, citizenship, and acculturation. Two of the dominant barriers for refugees and immigrants are language and culture, and a general fear of government also poses a serious challenge for these populations.²³¹

D. IMMIGRANT RESOURCES

1. TAONF Program

The welfare program applicable to immigrants and refugees is the state-funded TAONF program, since legal aliens are barred from participating in TANF. Aside from having different funding sources, other aspects of TANF and TAONF are identical.²³² In 2003, there were 4,093 cases (16,207 recipients) under the TAONF program, who combined received more than \$2 million in benefits. Not surprisingly, the bulk of TAONF recipients reside in Oahu County.²³³ Legal immigrants and refugees who are not able to obtain medical insurance on their own are also eligible to apply for the state's medical assistance program, Med-Quest.²³⁴

2. Office of Community Services (OCS)

Hawaii's Office of Community Services is a division of the Department of Labor and Industrial Relations that is mandated to provide assistance to the state's low-income, immigrant, and refugee populations. OCS describes its purpose as "to facilitate and enhance the development, coordination, administration, and delivery of effective programs to those in need and to provide advice and guidance to the executive branch, non-profit and private sector human service agencies, and the legislature." **OCS-funded programs provided services to 1,666 immigrants and 80 refugees in FY 2002. The number of immigrants that achieved movement toward self-sufficiency by attaining jobs was 549 (285 part-time and 264 full-time).**²³⁵ More information about OCS is provided in the Poverty and Asset Accumulation chapter.

²³⁰ U.S. Census Bureau, Census 2000 Data.

²³¹ OCS, *2002 Annual Report*.

²³² Department of Human Services, State of Hawaii, *Number of Persons in the Program*, <http://www.state.hi.us/dhs/TANF.PDF>.

²³³ DBEDT, *State of Hawaii Data Book*, Table 11.02.

²³⁴ Med-Quest Division, *Med-Quest Eligibility*, <http://www.med-quest.us/eligibility/quest/quest.html>.

²³⁵ OCS, *2002 Annual Report*.

3. **Pacific Gateway Center**

The Pacific Gateway Center (formerly known as the Immigrant Center) was founded in 1973 by the Palama Council of Churches in Hawaii in response to the dramatic increase in Asian and Pacific Islands immigrants to Hawaii and the continental United States. In 1984, the Center became a private nonprofit 501(c)3 corporation with its own governing board of directors. The Center also became a member of the Aloha United Way. Today, the Pacific Gateway Center is independent of the Churches.

The Center offers a range of direct and support-services to meet the needs of immigrants and refugees. The four integral components of the Center are Immigration and Social Services, Youth, Job Training and Placement, and Community Economic Development.²³⁶

4. **Catholic Charities Community & Immigrant Services**

Catholic Charities Community & Immigrant Services strives to empower newcomers and the economically disadvantaged so they can play a significant role in their own self-determination. The organization offers programs designed to help people gain new life skills, job-related language skills, education, employment, citizenship, and housing. Services tailored specifically to immigrants include visa application, naturalization, petitions for relatives, and updated information on immigration policies and procedures. Immigrants and refugees can also take classes in basic English and job-specific training offered by Catholic Charities.

Catholic Charities also runs Employment Core Services for Immigrants, which provides case management and employment services on O`ahu and in Kona. The organization's Innovative Employment Training program provides case management and job training on O`ahu, the Island of Hawai`I, and Kauai.²³⁷

²³⁶ Pacific Gateway Center, *About the Center*, http://www.pacificgateway.org/index_files/Page349.htm.

²³⁷ Catholic Charities Hawaii, *About Us*, <http://www.catholiccharitieshawaii.org/About%20Us/>.