

STAND. COM. REP. NO. **1586**

Honolulu, Hawaii

APR 05 2007 , 2007

RE: H.B. No. 500  
H.D. 1  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 500, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE STATE BUDGET,"

begs leave to report as follows:

The purpose of this bill is to appropriate funds for the operating and capital improvement costs of the Executive Branch for the fiscal biennium from July 1, 2007, through June 30, 2009.

#### GENERAL OVERVIEW

Hawai'i has many legitimate, yet competing, interests vying for state resources. Your Committee has labored long and hard to craft a budget that reflects our shared goals, principles, and priorities.

#### GOALS

Your Committee has laid the groundwork for the creation of a sustainable Hawai'i, with strong families and communities, a healthy economy and environment, and a literate and competent workforce able to compete in the global marketplace.



PRINCIPLES AND PRIORITIES

- (1) *Strengthen our families and communities.* Reinforced by state budgetary policy, we must encourage and help Hawaii's people build their assets and make it easier for family members to care for each other. We must also assist those residents most in need of secure adequate shelter to rent or buy housing in Hawaii.
- (2) *Sustain a healthy and diversified economy.* Support for public education (both higher and lower), workforce development, and related initiatives that help grow the technology sector will enable Hawai'i and its people to successfully compete in the global economy. At the same time, we must keep our traditional (agriculture) and current (tourism) economic foundations strong.
- (3) *Shape a Hawai'i that is a great place to visit because it is a great place to live.* Hawaii's tourism, development, and resource protection policies must ensure that these islands continue to be a great place to live.
- (4) *Promote a fiscally prudent, transparent, and sustainable state government.* Hawaii's strong economic growth of the past several years has begun to cool off. Caution should be exercised when obligating the State to pay for new programs and positions (with their recurring costs) that are not absolutely essential. Government policies and procedures should promote openness, accountability, and transparency, and the budget is the fundamental policy document through which we accomplish these objectives.

**STATE OF THE ECONOMY**HAWAII'S ECONOMY IS SLOWING

After several years of strong economic growth - peaking with double-digit growth rates in fiscal year 2005 (16 per cent) and 2006 (10.9 per cent) - Hawaii's economy slowed sharply in 2006. In January 2007, a distinguished local economist commented that, after subsiding for nearly two years because of rising consumer price inflation, real personal income growth in Hawai'i was around zero in mid-2006. The economist further noted that recent



personal income growth rates should increasingly translate back towards the two per cent real growth that he believes is a sustainable path for Hawai'i through the remainder of the decade.

In addition, the University of Hawaii Economic Research Organization's (UHERO) March 2, 2007, forecast also noted that "there are no warning signs on the horizon of an outright end to Hawaii's economic expansion" and "[j]ob and income growth will slow further, but not cease, and the unemployment rate will gradually ease upward from recent record-low levels."

#### COUNCIL ON REVENUES

At its March 13, 2007, meeting, the Council on Revenues decided to keep its December forecast of the general fund tax revenues for fiscal year 2007-2008 through fiscal year 2012-2013. The growth rate for the current fiscal year remains at 6.0 per cent, and 4.1 per cent for the second year of the biennium.

Essentially, the forecast of the Council on Revenues underscores the need for us to adopt a fiscally prudent, sustainable budget for the State of Hawai'i, as there are no increases in revenue being forecast.

#### FEDERAL RESERVE - NATIONAL ECONOMIC OUTLOOK

According to the March 28, 2007, forecast on the United States economy by Ben S. Bernanke, Chairman of the Board of Governors of the Federal Reserve, economic growth in the United States has slowed. The slowdown is attributed to a correction in the housing market, which has transitioned from the rapid expansion of previous years to a more sustainable pace.

Overall, the Federal Reserve believes that the United States economy appears likely to continue moderate expansion over the coming quarters. Real gross domestic product rose at an annual rate of about two per cent in the second half of 2006 and is presently expanding at a similar rate. The moderate expansion could change substantially, however, if the correction to the housing market is more severe than is currently anticipated, or recent weakness in business investment persists.

Finally, Mr. Bernanke noted the troubling specter of inflation. Core consumer price index inflation over the twelve months ending in February was 2.7 per cent, up from 2.1 per cent a year earlier. In addition, the price index for personal



consumption expenditures - another measure of core inflation monitored closely by the Reserve - trends similarly upward. Indeed, the Federal Open Market Committee (charged with overseeing open market operations in the United States) has issued a statement that core inflation is their predominant policy concern. The uncertainty of core inflation further underscores your Committee's need to craft a budget that is fiscally prudent and sustainable.

#### REVENUES IN OTHER STATES

According to the National Conference of State Legislatures' *State Budget Update: November 2006*, revenue performance has improved substantially, exceeding expectations in most states. Even with strong revenue performance, however, states are beginning to see tax categories underperforming, with collections in other categories making up the difference.

### **BUDGET HIGHLIGHTS**

#### STRENGTHENING OUR FAMILIES AND COMMUNITIES

Ultimately, the economy (whether "global" or local) is about people. Government's obligation is to provide a greater degree of resources to people at the community level in the most cost-effective and practical way. Your Committee focused on funding that will help build a strong foundation for Hawaii's families and communities.

#### Housing and Homelessness

Your Committee believes that we can and must do a better job of providing basic shelter for those who cannot afford to buy or rent housing in Hawai'i. Your Committee recognizes the serious lack of affordable housing and the resulting increase in homelessness and has provided for, in total (excluding other appropriation measures), over \$22,000,000 in fiscal year 2007-2008 and over \$20,000,000 in fiscal year 2008-2009 to address homelessness and affordable housing. For those already homeless or in danger of becoming so, your Committee provided \$6,242,348 for fiscal year 2007-2008 and fiscal year 2008-2009 to operate homeless shelters, provide services, and where possible, intervene to prevent families from becoming homeless.



### Affordable Rentals

Your Committee recognizes that the number of affordable rental units needed is approximately 3,400, with the demand over the next five years reaching 17,000 units. To further the development of affordable rental housing units, your Committee provided \$10,000,000 for each fiscal year of the biennium to be deposited into the Rental Housing Trust Fund, enabling additional gap equity low interest loans or grants to be available to developers of affordable rental housing units. In addition, your Committee passed Senate Bill No. 1917, which provides, approximately, an additional \$15,000,000 per fiscal year for deposit in the Rental Housing Trust Fund.

### Public Housing

Your Committee also provided funds for both subsidized housing and shelter for the homeless. In order to increase the availability of and safety in public housing, your Committee provided \$5,835,000 for fiscal year 2007-2008 and \$4,430,000 for fiscal year 2008-2009 for security improvements, energy efficient appliances, and faster repairs and re-rental of vacant units in public housing developments.

### Hawaiian Home Lands

The mission of the Department of Hawaiian Home Lands is "[t]o manage the Hawaiian Home Lands trust effectively and to develop and deliver land to native Hawaiians" and to "partner with others towards developing self-sufficient and healthy communities." Your Committee commends the Department for its good work and progress made in meeting the State's commitment under the Hawaiian Homes Commission Act.

In support of the Department's mission, your Committee provided \$16,393,455 in federal funds for fiscal year 2008 and \$9,600,545 in federal funds for fiscal year 2009 to establish the Native American Housing Assistance and Self Determination Act (NAHASDA) block grant from the United States Department of Housing and Urban Development. Your Committee also provided \$662,742 in trust funds for both years to fully fund positions within the Department, including six new temporary positions for the Home Ownership Assistance Program.



Finally, your Committee provided \$486,668 in special funds for fiscal year 2008 and \$638,336 in special funds for fiscal year 2009 for costs related to the Department's move to its new Kapolei facility and maintenance related expenditures, as well as \$1,100,000 in special funds for fiscal year 2009 to cover debt service for the construction of the facility.

### Healthy Families

Your Committee provided strong support over the next biennium to ensure and strengthen the continuum of care for individuals, families, and communities, statewide. Improving access to health care services, especially in rural areas, is an important priority for your Committee. To ensure the provision of comprehensive medical and health care services to the rural communities of Hana, Moloka'i and Waianae your Committee provided an additional \$2,800,000 for each year of the biennium.

Your Committee provided \$6,753,704 in general funds for each year of the biennium for infants and toddlers with developmental delays, ensuring that children with special health needs receive continued care coordination and early intervention services. Your Committee added five new positions and \$236,928 in general funds for the upcoming biennium to continue the preschool developmental screening for gap group participants in the Children with Special Health Needs program. Two additional permanent positions and \$87,965 in general funds for fiscal year 2007-2008 and \$112,953 in general funds for fiscal year 2008-2009 were also added by your Committee for Family Health Services Administration and Children and Youth Wellness.

Your Committee added \$1,248,750 in general funds for each year of the biennium to purchase family planning services for women's health addressing a critical shortage of needed services.

### Behavioral Health

Your Committee is dedicated to ensuring that a system of care is provided for Hawaii's seriously mentally ill population and designated a total of \$20,000,000 in general funds over the biennium for the Adult Mental Health Division for purchase of service contracts, as well as the provision of core services in each county. An additional 36.5 temporary positions and biennium



funding is provided for Community Mental Health Centers to comply with staffing requirements.

For the Child and Adolescent Mental Health Division, your Committee converted thirty-one temporary general funded positions and seventeen temporary special funded positions to permanent status to assist in recruiting and retaining qualified staff to provide mental health services to children and adolescents statewide.

Recognizing that substance abuse still plagues our communities, your Committee provided \$735,833 in general funds for fiscal year 2007-2008 and \$1,817,500 in general funds for fiscal year 2008-2009 to continue funding on-going adolescent school-based substance abuse treatment services at all public middle and intermediate schools statewide.

#### Persons with Developmental Disabilities

To accommodate the increasing number of individuals with developmental disabilities admitted to the Medicaid Home and Community-Based Services waiver program, your Committee provided full funding, an additional \$8,764,412 in general funds and \$8,558,196 in federal funds transferred from the Department of Human Services for fiscal year 2007-2008 and \$11,479,791 in general funds and \$12,239,470 in interdepartmental transfer funds for fiscal year 2008-2009 to meet the state matching requirements under Title XIX.

Your Committee further continued funding for agency-operated developmental disabilities domiciliary homes and apartment complexes operating with a twenty-four-hour, seven days a week staff, by providing \$1,800,000 in general funds for each year of the biennium. Your Committee believes that this additional \$600,000 general fund subsidy over the Executive Branch's biennium request is necessary to preserve residential alternatives for the developmental disabled/mentally retarded population. A total of \$115,255 in general funds over the biennium was also added to the Developmental Disabilities Council to establish and support a statewide self-advocacy network for persons with developmental disabilities.

Your Committee, however, is concerned that the Developmental Disabilities Division has yet to implement its long awaited reorganization pending since the closure of Waimano Training



School and Hospital. Such inaction is detrimental to sound policy and programming and further impedes the overall efficiency of the division. To this end, your Committee urges the Department to be more proactive in remedying these deficiencies to meet on-going challenges.

### Emergency Services

Emergency medical treatment, stabilization and transport are critical to maintaining public health and safety. Your Committee provided \$2,135,777 in general funds for fiscal year 2007-2008 and \$1,809,130 in general funds for fiscal year 2008-2009 as requested by the Governor to meet increased operational requirements for various ambulance contracts on the islands of O'ahu, Hawai'i, Kaua'i, and Maui. Your Committee is aware that the original request for the emergency medical services submitted by the Department of Health was for \$4,811,639 in general funds for fiscal year 2007-2008 and \$5,529,757 in general funds for fiscal year 2008-2009. The additional funds reflected indirect costs and other adjustments requested by the City and County of Honolulu but not accepted by the Department of Budget and Finance. Your Committee urges more budget and contract transparency, accountability, and cooperation between the City and County of Honolulu and the Department of Health in order to better determine what the actual operational needs are for O'ahu and to ensure that funding appropriated for equipment, vehicles, and personnel are spent for those items.

Your Committee also provided \$1,783,000 in general funds for fiscal year 2007-2008 and \$1,645,000 in general funds for fiscal year 2008-2009 for the statewide maintenance of the Emergency Medical Services Medical Communications system. To cover the additional cost for aeromedical services for rural O'ahu, to be performed by the United States Department of Army's Alaska Unit, your Committee provided \$800,000 in general funds for each year of the biennium. Your Committee also added \$388,000 in general funds for fiscal year 2007-2008 and \$397,000 for fiscal year 2008-2009 to purchase two ambulances and two Lifepak 12 defibrillators for each year of the biennium for the City and County of Honolulu's emergency medical services.

To ensure the availability of comprehensive quality health care and to alleviate the health care workforce shortage in Hawai'i, especially on the neighbor islands, your Committee added a total of \$750,000 in general funds and \$250,000 in special funds





over the biennium to the State Health Planning and Development Agency, in conjunction with an appropriate agency such as the John A. Burns School of Medicine, to develop and maintain a statewide comprehensive health care workforce map and database. Your Committee believes that this data is essential to understanding Hawaii's workforce needs and distribution, given the pending retirement in the near future of many members of the workforce who belong to the baby boom generation.

#### Hawai'i Health Systems Corporation and Kahuku Hospital

Your Committee determined that it is necessary to subsidize the operation of Kahuku Hospital to ensure continued operations as it affiliates with Hawai'i Health Systems Corporation (HHSC). Thus, your Committee provided \$1,500,000 in general funds for each year of the biennium. Your Committee, however, believes that the costs to subsidize Kahuku Hospital should remain separate from the rest of the HHSC and thus created a new program - Kahuku Hospital (HTH 211) to ensure this transparency and accountability.

Further, to maintain the current level of services for the HHSC, your Committee also provided a special fund ceiling increase of \$46,983,063 for fiscal year 2007-2008 and \$70,789,063 for fiscal year 2008-2009. This increase will allow HHSC to qualify three hospitals, Kula, Ho'ola Hamakua, and Samuel Mahelona Memorial Hospitals for critical access hospital status and increased reimbursement for services.

Finally, your Committee reaffirms its support and commitment to provide the resources necessary for its most vulnerable populations and to address health disparities. To this end, the appropriations authorized by your Committee in the area of health will help to ensure the quality of health care services for the physical and psychological well being of Hawaii's citizens.

#### QUEST and Reimbursements to Providers

The cost of providing health care services to Hawaii's citizens continues to grow, not only because of increases in medical costs and reductions in federal assistance, but also because the State has expanded coverage to more persons who lack the financial means to access health care. Access to some medical services has become difficult because reimbursement rates have failed to keep pace with rising medical costs and too many providers choose not to participate in Medicaid, QUEST, or



Medicare. Your Committee recognizes the need to increase medical reimbursement rates for a number of services and provided \$27,131,853 for fiscal year 2007-2008, and \$54,177,647 for fiscal year 2008-2009. Your Committee feels this increase, in addition to bills passed by the Senate, will further improve access to care by encouraging additional providers to accept Medicaid clients.

Your Committee also provided \$8,881,472 for fiscal year 2007-2008 and \$11,303,137 for fiscal year 2008-2009 to make up for a reduction in the federal matching percentage for Medicaid and \$11,327,683 for fiscal year 2007-2008, and \$32,471,524 for fiscal year 2008-2009 to cover expanded access and an anticipated four per cent growth in the QUEST population.

#### Child Welfare Services

Recognizing the importance of a stable workforce in providing high quality services to families in Hawai'i, your Committee provided for the conversion of one hundred fifty-one temporary child welfare services positions to permanent status in order to improve recruitment and retention of staff. In addition, your Committee understands the importance of recruiting, training, and supporting foster and adoptive families. To leverage increased federal funding for this area, your Committee provided \$5,275,000 for fiscal year 2007-2008 and fiscal year 2008-2009.

#### Youth Services

Neighbor Island youth make up a disproportionate share of short-term placements in the Hawai'i Youth Correctional Facility. In order to offer an alternative for the courts and social service agencies, your Committee provided \$2,600,000 for fiscal year 2007-2008 and 2008-2009 to expand the Safe House program with three additional facilities on Kaua'i, Maui, and the Big Island. Your Committee believes that this appropriation will help support and encourage those children become productive members of the community.

Recognizing the alarming number of youth suicides in our State, your Committee added \$100,000 in general funds for the upcoming biennium for the Department of Health to establish a youth suicide early intervention and prevention program.



### Sex Abuse and Domestic Violence

Unfortunately, violence within families still exists in our State. Your Committee recognizes that sexual violence, domestic abuse, and related concerns are not only law enforcement issues but also social issues that must be addressed in multiple ways. To this end, your Committee provided \$1,076,217 in general funds for fiscal years 2007-2008 and 2008-2009 for Statewide Sexual Violence Services through the Department of the Attorney General.

Your Committee also provided much needed increases in funding for domestic violence shelters throughout the State, authorizing an additional \$762,500, statewide, for each year of the biennium.

• East Hawai'i	\$315,936
• Kaua'i	\$405,385
• Maui	\$411,538
• Moloka'i	\$250,475
• Leeward O'ahu and Honolulu	\$733,514
• Windward O'ahu	\$431,487
• West Hawai'i	\$322,833

Your Committee believes that the additional funding for domestic violence shelters and sex assault services is necessary to assist victims of such abuse, whether adults or children. Your Committee notes that funds for legal support services, as well as intrafamilial sex abuse and domestic violence services, are contained in the Judiciary budget.

### Temporary Assistance for Needy Families (TANF)

An improved economy, successful work placement strategies, and the federal time limit for benefits have reduced the number of Hawai'i families who rely on TANF cash benefits. Under federal rules, TANF funds also may be used for programs and services to strengthen families and youth who are at risk. In an effort to maximize use of these TANF funds, your Committee worked with the Department of Human Services and your Committee on Human Services and Public Housing and provided \$4,536,713 for various purchase of service contracts that will strengthen families, teach life skills, and improve the employability of low income families throughout Hawai'i - helping to close the divide between the haves and have-nots. Your Committee expects that the Department will



ensure that these services reach the families that so desperately need assistance.

## SUSTAIN A VIBRANT AND DIVERSIFIED ECONOMY

### Lower Education

With the proper education, Hawaii's students can actively participate in shaping the world they will live in, become the skilled workforce desired by employers, and enable Hawai'i to attract new businesses and industries that offer living wage jobs. Education is the key to creating and sustaining a healthy and diversified economy.

To assist Hawaii's children unlock their potential, your Committee continues to make public lower and higher education the top priority. Providing the necessary programs, equipment, materials, and technology for Hawaii's children will help ensure success in today's global economy. Toward this end, your Committee has reaffirmed its continued support for Hawaii's public schools by providing for the critical needs to improve student achievement, as determined by the priorities of the Board of Education and the Department of Education.

Your Committee has provided for the Department of Education's highest priority items, including a number that were rejected by the Governor after having been approved by the Board of Education. Your Committee worked closely with the Department and your Committee on Education to provide the following programs, equipment, and materials necessary to support our children:

- \$20,105,474 to continue Weighted Student Formula funding to continue funds appropriated by Act 160, Session Laws of Hawaii 2006;
- \$15,806,408 in fiscal year 2007-2008 and \$17,684,790 in fiscal year 2008-2009 for instructional equipment for schools;
- \$10,000,000 in federal funds for impact aid;
- \$8,748,056 in fiscal year 2007-2008 and \$7,270,623 in fiscal year 2008-2009 to meet requirements of No Child Left Behind and for English for Second Language Learners proficiency testing;



- \$4,287,401 for special education teachers and educational assistants for current Individualized Education Plan requirements;
- \$2,375,934 in fiscal year 2007-2008 and \$2,310,467 in fiscal year 2008-2009 for instructional equipment and furnishings for schools;
- \$1,200,000 for the Early Education Task Force for schools;
- \$1,162,565 in fiscal year 2007-2008 and \$1,521,007 in fiscal year 2008-2009 for energy efficiency projects for public libraries;
- \$1,100,000 to continue the Superintendent's fund to support the Weighted Student Formula funding;
- \$1,000,000 for books and library materials for public libraries;
- \$800,000 for the continuation of funding for substitute teacher compensation;
- \$725,000 for a recruitment and retention support center for schools;
- \$433,000 for agricultural programs in schools;
- \$427,308 for educational interpretation for mainstream hearing-impaired students and \$38,610 for equipment and furnishings;
- \$400,000 for non-school hour programs at schools;
- \$328,508 in fiscal year 2007-2008 and \$835,436 in fiscal year 2008-2009 for athletic health care trainers and supplies for school athletic programs;
- \$175,000 for PSAT testing for schools;
- \$165,000 for the Teach for America Contract; and
- \$5,636,680 for the transfer of two hundred fifty-eight permanent and 17.8 temporary school health aid positions from the Department of Health to comply with the requirements of Act 51, Session Laws of Hawaii 2004, as amended by Act 225, Session Laws of Hawaii 2006.



Your Committee provided for increased funding for technology and accountability through the following appropriations for equipment, positions, infrastructure, and programs:

- \$3,571,956 in fiscal year 2007-2008 and \$2,782,414 in fiscal year 2008-2009 for improvements to information technology, including an Electronic Comprehensive Student Support System, an Electronic Student Information System, and a Wide Area Network upgrade; and
- \$3,073,932 in fiscal year 2007-2008 and \$2,792,932 in fiscal year 2008-2009 for investment in fiscal accountability including fifteen complex area business managers, three accountants and a new Financial Management System that will integrate the existing financial and human resource systems.

Your Committee provided relief for the increasing costs to maintain facilities and services by providing the following additions to the Department of Education budget:

- \$6,391,412 for school food services;
- \$1,264,680 in fiscal year 2007-2008 and \$3,035,744 in fiscal year 2008-2009 for essential utility services;
- \$2,613,344 for school bus transportation costs; and
- \$1,278,000 for increases in property insurance.

Your Committee believes that these appropriations will provide Hawaii's public school students with the necessary resources to increase student achievement.

#### Higher Education

An economy based on knowledge, ideas, and risk-taking is the reality our State must embrace, and the University of Hawaii, system-wide, is critical to our success. New technologies and new industries are just two examples of the challenges of maintaining a skilled, literate workforce. College graduates are likely to change jobs several times over a lifetime of work, and to get ahead, incumbent workers will look for new skills and additional knowledge.



The University of Hawaii Board of Regents approved a detailed biennial operating budget request of \$38,726,634 in fiscal year 2007-2008 and \$58,116,277 in fiscal year 2008-2009 that included the creation of positions vital to the expansion of programs such as Workforce Training and Development (i.e. to address critical shortage areas such as nursing, construction, teaching, and social work) and Economic Diversification Initiatives, Statewide Native Hawaiian Studies, Student Services Enhancement and Expansion, and Distance Learning Initiatives. The Governor approved a scaled-down operating budget of \$25,421,393 in fiscal year 2007-2008 and \$33,999,745 in fiscal year 2008-2009. Additionally, your Committee addressed these deficiencies:

- Restored \$250,000 in each year of the biennium to support Western Interstate Commission for Higher Education programs for students interested in the fields of veterinary medicine, dentistry, optometry, and occupational and physical therapy, which currently are not offered at the University of Hawaii;
- Addressed the growing shortage of nurses with \$1,322,270 in fiscal year 2007-2008 and \$2,568,276 in fiscal year 2008-2009 for Statewide Nursing Workforce Development at the community colleges, University of Hawaii-Hilo and University of Hawaii-Manoa and funds for staffing and operational support, including \$400,000 for the Quentin Burdick Rural Health Professions program;
- \$3,350,000 in fiscal year 2007-2008 and \$3,950,000 in fiscal year 2008-2009 in general funds in support of further expansion of the John A. Burns School of Medicine to help address the shortage of medical specialists and fulfill its potential to become a world-class leader in health, biomedical, and biotechnology research, training, and teaching;
- \$1,200,000 in each fiscal year in general funds in support of AIDS research to assist Asian-Pacific Islanders; and
- \$11,000,000 in each fiscal year in special funds to establish the Cancer Research Special Fund created by Act 316, Session Laws of Hawaii 2006.

Your Committee remains committed to the vision of creating a world-class institution of higher learning and provided approximately \$26,170,000 in fiscal year 2007-2008 and \$38,570,000



in fiscal year 2008-2009 in continued support of University of Hawaii programs, workforce, curriculum, and student educational development, including approximately \$4,830,000 in fiscal year 2007-2008 and \$9,617,000 in fiscal year 2008-2009 for University of Hawaii-Hilo and \$5,210,000 in fiscal year 2007-2008 and \$9,420,000 in fiscal year 2008-2009 for community college programs and \$1,750,000 in fiscal year 2007-2008 and \$3,500,000 in fiscal year 2008-2009 for staffing development and expansion of programs and curriculum for the long-anticipated West O'ahu campus in Kapolei.

Your Committee finds that the economic capital of the State can be expanded only if there exists a solid foundation upon which to build. Thus, your Committee provided \$1,500,000 in fiscal year 2007-2008 and \$2,000,000 in fiscal year 2008-2009 for the "B Plus" state scholarship program, and \$510,000 in fiscal year 2007-2008 and \$605,000 in fiscal year 2008-2009 for the Graduate Professional Access and Health Careers Opportunity Programs. Your Committee believes that funding for these programs is necessary to foster student interest in post-secondary education and provide the means for additional students to pursue their own career paths, thus adding to our State's economic well-being.

At the Governor's request, your Committee lapsed \$18,700,000 in unencumbered general funds for recovery efforts after the 2004 Manoa flood and then re-appropriated those funds to enable the University of Hawaii to complete repairs to building infrastructure, control mold growth, and replace materials, library collections, furnishings, supplies, and other University of Hawaii-Manoa property damaged or otherwise irreparably destroyed by the October 31, 2004, flood in Manoa Valley. The anticipated lapse was due to contract, construction, and other unforeseen delays.

An area of concern is the sharp increase in fuel, utilities, and costs of energy consumption. The University is one of the highest single consumers of these resources and has had to explore options to fund its energy shortfalls. The new tuition schedule approved by the Board of Regents in September 2006 will positively and significantly impact the revenues of the system. Additionally, a sizable portion of its projected tuition revenues are earmarked for utilities. Your Committee commends the University for taking this proactive step in providing for its own energy consumption. Thus, your Committee provided \$15,150,000 in fiscal year 2007-2008 and \$35,950,000 in fiscal year 2008-2009 in





special funds to enable the University of Hawaii at Manoa to address these expected shortfalls in operating and utility costs, as well as to fund faculty, staffing, and student employee costs, collective bargaining costs, and routine facility maintenance costs campus-wide. Your Committee remains confident that the tuition fee schedule adjustment proposed by the University will provide the needed additional funds despite an anticipated drop in attendance due to the increase in tuition. In its calculations, the University has taken that consideration into account.

Your Committee is steadfast in its belief that higher education is the foundation of the future economic growth and stability of the State. Your Committee provided a budget for the University that addresses increases in utilities and employee compensation, medical and scientific research, workforce shortages, critical program shortfalls in student development and growth, Native Hawaiian studies and program development, current and planned expansion of the University statewide, and supporting diversity and lifestyle initiatives to provide the best opportunities for the students, faculty, and employees of the University - present and future.

#### Workforce and Workplace

The Department of Labor and Industrial Relations fulfills its primary mission (i.e., administering programs designed to contribute positively to workers' productivity and to foster employer-employee relations) by building private-public partnerships, providing training and public awareness programs, and assisting employers in developing their own Quality of Life programs to encourage voluntary compliance with labor laws. Your Committee is dedicated to supporting those efforts in several ways:

- Creating an Occupational Safety and Health Advisor to meet regularly with employees and employers to discuss, coordinate, train, and in some cases, conduct inspections to ensure compliance with federal and state regulations;
- Providing additional elevator inspectors for the Elevator and Boiler Safety Section to reduce a statewide backlog of annual certifications and three- and five-year safety and hydraulic tests; and



- Improving data transfer infrastructure hardware to effectively deliver services and administration of the Workers' Compensation, Temporary Disability Insurance, and Prepaid Health Care Programs.

Finally, your Committee supported the Department in its efforts to help residents of limited English proficiency succeed in the global economy by providing \$440,000 in general funds for both years of the biennium to establish and fully staff the Office of Language Access that was created by Act 290, Session Laws of Hawaii 2006. This office will provide oversight, coordination, and technical assistance to other State agencies in instances where persons of limited English-speaking or comprehension require translational and interpretive services in order to benefit from state programs, activities, and public access.

#### Commerce and Consumer Affairs

Continuing Hawaii's cultivation of the captive insurance industry, your Committee provided \$1,049,520 in special funds for fiscal year 2007-2008 and fiscal year 2008-2009. Your Committee understands the importance of monitoring, regulating, and developing this clean and lucrative industry, which is a viable source of continued revenue growth for the State of Hawai'i.

To expand and update the State Institutional Network, your Committee provided \$2,400,000 for fiscal year 2007-2008. Your Committee recognizes the critical importance of the network and the numerous departments that utilize its various telecommunication services.

#### KEEPING HAWAI'I A GREAT PLACE TO LIVE AND VISIT

##### Land and Natural Resources

Much of what makes Hawai'i a great place to live and a great place to visit is its natural resources. Preserving, protecting, and providing for those resources for the benefit and enjoyment of future generations is of paramount importance. Also, Hawai'i is a prime destination and location for movie producers and film crews, businesspeople and world leaders. Your Committee is dedicated to providing the following funds to assure the State's position as a unique island paradise into the future:



- Combat invasive species, including the coqui frog, by providing \$2,000,000 in general funds for both fiscal years 2007-2008 and 2008-2009, each matched by \$2,000,000 in special funds, for efforts of the Hawaii and county invasive species councils;
- Support State Parks Interpretive program through \$485,000 in special funds for visitor education, tours, and trails assistance;
- Expand Conservation and Resource Enforcement with additional personnel and equipment, fifteen positions and \$1,963,000 in fiscal year 2007-2008 and twenty-six positions and \$2,125,000 in fiscal year 2008-2009;
- Encourage prevention of wildfires by creating a full-time Firewise Communities program coordinator for community outreach and education and providing additional, ongoing state support of interdepartmental firefighting efforts with overtime pay, replenishment of outdated equipment, vehicles, and communications and life-saving apparatus by expending approximately \$330,000 in fiscal year 2007-2008 and \$340,000 in fiscal year 2008-2009; and
- \$3,115,000 in special funds for fiscal year 2008-2009 to assist in the reforestation, land and road restoration, and hazard control efforts for the over 2,300 acres of public forest lands in the Kuna Forest Reserve, Upper Waiohuli, Maui destroyed in the January 2007 wildfire.

Dam and reservoir safety is an issue being addressed in Senate Bill No. 1946, S.D. 2, H.D. 1. However, your Committee provided an additional \$1,500,000 in general funds for fiscal year 2007-2008 for the Department of the Attorney General to continue to pursue the investigation and litigation related to the tragic Ka Loko dam failure.

### Agriculture

Invasive pests threaten not only Hawaii's native plants but agricultural crops as well. Hawaii's agricultural industry contributes both to our economy and to the visitor allure of these islands. Your Committee recognizes the importance of providing funds for the control and eradication of such pests including the brown tree snake.



- To meet state mandates for bio-control research of natural enemies of invasive species by authorizing five permanent positions and \$236,352 in general funds for fiscal year 2007-2008 and fiscal year 2008-2009;
- To continue the brown tree snake prevention program by expending \$179,240 in general funds for fiscal year 2007-2008 and fiscal year 2008-2009 to defend against a threat that could cost the State \$485,000,000 annually; and
- To assist the Plant, Pest, and Disease Control Division with three temporary positions and \$220,192 in federal funds for fiscal year 2007-2008 and fiscal year 2008-2009.

Agriculture is an important economic sector in Hawaii that needs to be supported. Your Committee provided \$3,000,000 in general funds for fiscal year 2007-2008 for irrigation repair and maintenance in recognition of the importance of these irrigation systems to the survival of diversified agriculture. Several initiatives passed by the Senate also support efforts to encourage retention of important agricultural lands and assist current and future farm enterprises. In addition, your Committee provided \$700,000 in general funds for fiscal year 2007-2008 and fiscal year 2008-2009 for special repairs and maintenance work of facilities as identified in the Department's six-year facilities plan.

#### Environmental Health

Diverting as much recyclable material from the landfills promotes a more desirable use of our limited land resources. Thus, your Committee firmly recognizes the need to continue the work of the Deposit Beverage Container Program in the Department of Health's Solid and Hazardous Waste Branch. As the program continues to grow, and as participation in redemption increases, your Committee supports the program by providing for a ceiling increase of \$18,854,194 in special funds for each year of the biennium to cover the costs of required redemption payouts and for recycling improvements.

#### Business, Economic Development and Tourism

Your Committee has remained steadfast in its support of Hawaii's existing business and economic engines. Specifically, in recognition of the importance of tourism to the State's economy,



your Committee provided \$14,595,156 in special funds for fiscal year 2007-2008 and fiscal year 2008-2009 for the Hawaii Tourism Authority in support of our State's efforts to preserve Hawaii's ranking as a pre-eminent visitor destination.

Sustainable communities in Hawaii's future must attain greater energy efficiencies and reductions in our reliance on fossil fuels. Your Committee provided two temporary positions and \$130,000 in general funds and \$500,000 in federal funds for fiscal year 2007-2008 and fiscal year 2008-2009 to implement the energy efficiency and renewable energy programs in the State of Hawai'i. Additionally, recognizing the importance of the Hawai'i Renewable Hydrogen Program, your Committee provided \$4,742,500 in special funds for fiscal year 2007-2008 and \$2,609,375 for fiscal year 2008-2009 for venture capital investments in private sector and federal projects that support this initiative.

#### Defense

For Hawai'i to be a great place to live, it must be a safe place to live. Toward this end, your Committee provided the necessary support to the Department of Defense to carry out its mission to ensure the safety of the public and to ensure that the damage recovery efforts following the occurrence of natural or man made disasters are expeditious. Your Committee approved:

- \$310,657 for ongoing efforts directly related to public assistance and damage recovery in response to the March 2006 floods;
- \$779,380 for fiscal year 2007-2008 and \$1,039,173 for fiscal year 2008-2009 as a reserve for public assistance and damage recovery in the case of a small or large disaster occurrence;
- \$111,483 for fiscal year 2007-2008 and \$148,645 for fiscal year 2008-2009 to provide a core disaster recovery staff;
- \$191,129 for fiscal year 2007-2008 and \$234,324 for fiscal year 2008-2009 to install and maintain a state siren warning system;
- \$1,836,611 for fiscal year 2007-2008 and \$1,896,753 for fiscal year 2008-2009 for the Hawai'i National Guard Environmental Office; and



- \$25,000 to provide additional subsidy to the Civil Air Patrol;

The efforts extended by our armed forces are greatly appreciated. Your Committee provided the following program support for our veterans:

- \$25,000 for a quarterly veterans' benefit and entitlement newsletter;
- \$144,180 for fiscal year 2007-2008 and \$152,192 for fiscal year 2008-2009 for maintenance of veterans' cemeteries;
- \$33,230 for a Clerk Typist I to assist in clearing the backlog of unprocessed discharge documents; and
- \$8,000 for travel expenses for an Office of Veterans' Services Counselor.

Your Committee recognizes the value of various National Guard programs for youth who are experiencing difficulties in their lives and provided funding to increase the availability of these opportunities for Hawaii's youth.

- \$203,950 for fiscal year 2007-2008 and \$271,931 for fiscal year 2008-2009 for the expansion of the Hawai'i National Guard Youth Challenge Academy program; and
- \$7,300,000 in federal Temporary Assistance for Needy Families funds for the About Face program.

#### Public Safety

Your Committee notes that Hawai'i continues to struggle with the persistent growth of the inmate population and a high rate of recidivism among convicted offenders. The traditional solution to prison overcrowding is to add prison beds by building new facilities or expanding others. With the unlikelihood of any new facilities being built in the near future, your Committee, working closely with your Committee on Public Safety, recognizes the need for interim measures.

The primary strategy used by this Administration to reduce overcrowding has been to transfer inmates out of state. However, with a total of over 2,112 inmates (1,939 males and 173 females)



housed in out of state facilities, and the escalating costs associated with those inmates, your Committee finds it necessary to support programs that reduce recidivism, upgrade the physical condition of existing facilities, and develop a transitional housing and release program to try and keep released inmates from returning. These interim measures must hold the line until existing facilities are expanded or new facilities are built.

As previously mentioned, your Committee supports programs that assist in developing practical skills for inmates so that, upon release, their chances of obtaining gainful employment and becoming productive citizens increase and the propensity for recidivism decreases. Important initiatives for community reintegration programs are contained in other Senate bills. Your Committee provided for the following correction programs in the hopes of decreasing inmate recidivism:

- \$7,335,451 in revolving funds for fiscal year 2007-2008 and fiscal year 2008-2009 for Correctional Industries to provide inmates with experience working in various trades and strengthen their ability to be productive citizens upon release;
- Three positions and \$408,552 in general funds for fiscal year 2007-2008 and fiscal year 2008-2009 to continue traditional substance abuse services for inmates participating in the Project Bridge programs;
- \$150,000 in general funds for fiscal year 2007-2008 and fiscal year 2008-2009 for inmate transition and job development program;
- Four positions and \$143,472 in general funds for fiscal year 2007-2008 and four positions and \$168,576 in general funds for fiscal year 2008-2009 for re-entry case workers to ensure that offenders will have housing and employment upon release;
- \$50,000 in general funds for fiscal year 2007-2008 and fiscal year 2008-2009 for an intensive re-entry program that will serve women offenders within one year to six months of release to provide them with life skills;
- \$98,700 in general funds for fiscal year 2007-2008 and \$75,000 in general funds in fiscal year 2008-2009 to establish a culinary arts training program and fund a



landscape training program at the Women's Community Correctional Center; and

- \$50,000 in general funds for fiscal year 2007-2008 and \$26,000 in general funds for fiscal year 2008-2009 to support a vocational program offered by the Mason's Union to train inmates to become masons.

In addition, your Committee provided \$9,592,000 in fiscal year 2007-2008 to upgrade the physical condition of various facilities, as well as \$1,500,000 in planning funds to develop Adult Community Residential Centers for transitional housing and release preparation for inmates, working jointly with non-profit agencies.

Your Committee notes that there is a growing vacancy problem in the Department of Public Safety. In testimony before your Committee on January 9, 2007, the Department noted that there were close to three hundred vacant positions, totaling over \$11,000,000 in general fund costs alone. Some of these vacancies date back as far as 1989. Your Committee is certain that some of the \$11,000,000 in vacancies is being used for purposes other than filling positions (as evidenced by the vintage of some of the vacancies). Your Committee eliminated thirty-six positions and \$1,253,179 in general funds for positions vacant for three years or longer. Your Committee believes that it is in the best interest of the Department to prepare a plan to address the vacancy problem before future vacant positions and funds are removed - potentially impacting items being funded with vacancy savings.

#### SHAPING GOVERNMENT'S INFRASTRUCTURE FOR SUSTAINABLE COMMUNITIES

##### Accounting and General Services

Your Committee recognizes the importance in archiving records to digital format. Your Committee therefore provided \$120,000 in general funds for fiscal year 2007-2008 and fiscal year 2008-2009 to develop and help implement a long-range plan to manage digital records.

Improving information systems, hardware and software, will improve governmental efficiency and customer service. To that end, your Committee provided:





- \$200,000 in general funds for fiscal year 2007-2008 and \$150,000 for fiscal year 2008-2009 for improvements to the Financial Accounting Management Information System; and
- \$450,000 in general funds for fiscal year 2007-2008 to consolidate multiple servers and reduce space requirements for the Information Computer Science Division.

With various natural disasters occurring both locally and nationally, insurance premiums are increasing. Therefore, your Committee provided \$951,125 in general funds and \$8,000,000 in revolving funds for fiscal year 2007-2008 and fiscal year 2008-2009 to address property premium increase for the State Risk Management and Insurance Administration.

To help repair and maintain public facilities, your Committee provided seven positions and \$405,242 in general funds for fiscal year 2007-2008 and \$408,288 for fiscal year 2008-2009 to address public building routine and emergency work orders.

Aloha Stadium hosts sporting events year round. To accommodate for these events, older equipment needs to be continually replaced to ensure the Stadium remains operable. Your Committee provided \$1,417,077 in special funds for fiscal year 2007-2008 and \$133,927 for fiscal year 2008-2009 for the replacement of essential communications, emergency operations, and traffic control equipment.

Finally, to provide for increases in Public Safety Answering Points, your Committee provided \$2,500,000 in special funds for fiscal year 2007-2008 and fiscal year 2008-2009 to expand the Wireless Enhanced 911 coverage area to provide quicker emergency response.

### Transportation

Helping our citizens, visitors, and businesses get from point A to point B - whether by roads and highways, sea, or air - is the critical job of the Department of Transportation. Hawaii's communities and commerce depend on the proper and efficient functioning of the Department.

To that end, your Committee agreed to all of the Department's operating budget requests. Among these requests are authorizations for the Department to:



- Perform long-awaited repairs and maintenance of the State's transportation and facilities infrastructure;
- Replace aging vehicles and equipment; and
- Hire additional staff to meet federal regulations, accreditation criteria, and provide service to address the increasing demands placed on the Department.

There were no operating budget requests for the Highways Division. Your Committee addressed the urgent repair and maintenance needs of our highway system, as well as important highway widening and new construction projects in the capital improvements section of this measure.

Specifically regarding the State's ports and harbors - "Hawaii's Lifeline and Pacific Link," your Committee added \$960,000 in fiscal year 2007-2008 and \$880,000 in fiscal year 2008-2009 in harbor special funds for special maintenance projects at Kahului, Nawiliwili, and Kawaihae harbors.

Regarding the State's airports, your Committee added \$1,303,000 in fiscal year 2007-2008 and \$538,000 in fiscal year 2008-2009 in airport special funds, and \$10,216,250 in fiscal year 2007-2008 and \$5,812,000 in fiscal year 2008-2009 in federal funds for special maintenance projects at Honolulu International, Kahului, Keahole, and Moloka'i airports, and \$20,000,000 in fiscal year 2007-2008 for statewide airport facilities general maintenance and routine repair. In addition to linking our island communities, the airports are often the first and last impression for visitors to our State, making the proper and timely maintenance and repair of airport facilities even more important.

#### Budget and Finance

The Employer-Union Trust Fund administers health and life insurance benefits for 164,000 active and retired state and county employees on a computer system that is in danger of becoming obsolete and therefore unrepairable. The Employer-Union Trust Fund information technology consultant recommended purchasing a new system rather than attempting to update the existing one or build one in-house. Your Committee provided \$7,513,484 in trust funds for fiscal year 2007-2008 and \$437,166 for fiscal year 2008-2009 to solicit bids, purchase, and install a new system.



Pursuant to Act 143, Session Laws of Hawaii 2006, the Public Utilities Commission reported to the Legislature during the 2007 session on the findings from the organizational review of its operations. Upon recommendation from your Committee on Commerce, Consumer Protection, and Affordable Housing to implement the first phase of the proposed Public Utilities Commission reorganization, your Committee provided four positions and \$309,291 in special funds for fiscal year 2008-2009 to implement the restructuring. In addition, your Committee approved \$609,710 in special funds for fiscal year 2008-2009 to relocate the commission to new offices.

The Public Utilities Commission also requested permanent staff and funding for the Petroleum Industry Monitoring program it inherited from the Department of Business, Economic Development and Tourism under Act 78, Session Laws of Hawaii 2006. Your Committee provided three positions and \$213,595 in special funds for both years of the biennium.

#### Taxation

The Department of Taxation requested funds to contract for specialized expertise to assist in complex and highly technical tax audits. With this expertise, the Department expects to recover an estimated \$21,000,000 in disallowed high-tech tax credits. Your Committee provided general funds of \$300,000 for each of fiscal years 2007-2008 and 2008-2009 for this purpose.

On January 1, 2007, the Department of Taxation began collection of the county surcharge tax for the city and county of Honolulu. As a result, the Department required additional funds for its operations. Under Act 247, Session Laws of Hawaii 2005, the Department collects the surcharge on behalf of the county and in return the State retains ten per cent of the collections, to be deposited in the general fund. Because Act 247 did not provide positions or funds for the collection activity, an appropriation from the general fund for the Department of Taxation is necessary. Your Committee provided nineteen positions and general funds of \$944,312 for fiscal year 2007-2008 and \$717,944 for fiscal year 2008-2009. Your Committee has included a provision requiring the Department to study and report to the Legislature during the Regular Sessions of 2008 and 2009 on the totality of the additional work represented by the county surcharge collection activity.



In January 2006, the Department of Taxation received a consultant's report that compared the Department to those in states comparable to Hawai'i in order to determine an appropriate level of resources for the critical work of collecting the State's revenues. The results of the study showed that the Department was severely understaffed in many respects, and the Legislature in 2006 provided seventeen positions. An updated report was then obtained from the consultant in September 2006 showing a continued resource deficiency in Hawaii's tax collection efforts. The Department asked for additional staffing from this Legislature to bring its staffing up to fifty per cent of the level found in comparable states by the consultant's report. Your Committee, recognizing the need for a fair and efficient tax system, provided ten permanent and eighteen temporary positions and general funds of \$852,039 for fiscal year 2007-2008 and \$796,537 for fiscal year 2008-2009. Your Committee believes that these additional tax collection efforts and resources, plus efficiencies proposed in several Senate bills, will benefit the State's sustainability goal.

#### FISCALLY PRUDENT AND DISCIPLINED BUDGETARY POLICY

Your Committee is dedicated to providing a budget document that is fiscally prudent, transparent, and provides for a sustainable level of government operations. Your Committee commends its predecessors who worked diligently to maintain such fiscal prudence and accountability in previous years. Your Committee is pleased to report that their efforts continue to bear fruit. As a result of the commitment to prudent financial management and fiscal discipline, the latest \$350,000,000 bond sale came in at 4.9 per cent versus the budgeted 5.7 per cent. This 4.9 per cent rate is the lowest rate the State has seen in three decades. This accomplishment would not have been possible had it not been for the prudent appropriation levels set forth by previous fiscal committees of the Legislature, leading up to the current favorable bond ratings enjoyed by the State. As a result, your Committee decreased budgeted debt service requirements by \$3,580,538 for fiscal year 2007-2008 and \$3,064,595 for fiscal year 2008-2009.

#### **CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS**

Your Committee evaluated the priorities of the administration, Board of Education, Board of Regents, and



community to develop the capital improvement program (CIP) budget. The requests fell within two broad categories:

1. Projects that would repair or improve our aging state facilities; or
2. Projects that would build new state facilities to support expanding programs and increasing populations.

Your Committee finds that both types of requests are important and has attempted to strike a balance between the two and prioritize funding for those projects that align with the principles and priorities outlined above.

#### Education and Workforce Development

The highest priority of your Committee is the education of our children, and as such, the CIP budget devotes significant resources toward public education facilities. Your Committee provided a total of \$256,679,000 in fiscal year 2007-2008 and \$255,408,000 in fiscal year 2008-2009, by all means of financing, for the Department of Education's capital improvement program.

In anticipation of the future needs of our public school system, and to relieve schools experiencing overcrowding, your Committee provided over \$200,000,000 over both fiscal years to build new schools in our State's fastest growing communities.

To address the ongoing facility needs of the Department of Education, your Committee added to the Governor's proposed biennium budget by appropriating funds for the Department of Education's lump sum items. The following are examples of lump sum items not included in the Governor's proposed budget that your Committee provided for:

- \$75,000,000 in fiscal year 2007-2008 and \$75,000,000 in fiscal year 2008-2009 to enable the Department of Education to continue to reduce the repair and maintenance backlog of our public schools;
- \$25,000,000 in fiscal year 2007-2008 for electrical system improvements;
- \$5,000,000 in fiscal year 2007-2008 necessary for the Department to comply with Environmental Protection Agency requirements regarding large cesspool closures;



- \$4,000,000 in fiscal year 2007-2008 and \$4,000,000 in fiscal year 2008-2009 for the Department to comply with Americans with Disabilities Act requirements;
- \$500,000 in fiscal year 2007-2008 and \$500,000 in fiscal year 2008-2009 for fire protection; and
- \$500,000 in fiscal year 2007-2008 and \$500,000 in fiscal year 2008-2009 for asbestos/lead removal.

To address the capital needs of higher education, your Committee provided a total of \$158,039,000 in fiscal year 2007-2008 and \$104,383,000 in fiscal year 2008-2009 for the University of Hawaii, including the following appropriations:

- \$50,000,000 in fiscal year 2007-2008 and \$50,000,000 in fiscal year 2008-2009 to address the major repair and maintenance needs of the University system;
- \$7,518,000 in fiscal year 2007-2008 to begin planning and design for a new classroom and office building at University of Hawaii-Manoa;
- \$6,837,000 in fiscal year 2007-2008 to provide temporary facilities to house the expanding nursing programs at community colleges statewide;
- \$43,157,000 in fiscal year 2007-2008 to fund the construction of the new Windward Community College Library and Learning Resources Center; and
- \$23,179,000 in fiscal year 2007-2008 for a new social sciences/teacher education facility at Leeward Community College.

### Housing

Your Committee provided funding for the Department of Human Services to begin two major initiatives to improve the condition of public housing. The following appropriations will result in safer conditions for public housing residents and an increase in the total number of units available:

- \$5,000,000 in fiscal year 2007-2008 for elevator improvements for public housing statewide; and



- \$15,000,000 in fiscal year 2007-2008 and \$5,000,000 in fiscal year 2008-2009 for the repair and maintenance of public housing units.

### Sustainability

Many of the projects funded in this measure will incorporate green building design elements and practices. In addition, your Committee provided \$5,000,000 in fiscal year 2007-2008 and \$5,000,000 in fiscal year 2008-2009 for energy conservation and efficiency projects.

### **Conclusion**

With relatively modest revenue projections for Hawai'i and the nation, as well as the troubling specter of inflation, your Committee, once again, has appropriated resources that reflect prudence and provide for sustainability. Your Committee will not soon forget the fiscal crises of the past, but looks to the future with continued optimism, knowing the resources provided in this budget will address the urgent infrastructure and service needs of the State and provide for the strengthening of our families and communities, thus positioning Hawai'i for success in the global economy, and the sustaining of Hawai'i as a great place to visit and live.

In total (all sources of funding), this budget appropriates \$10,360,271,182 in fiscal year 2007-2008 and \$10,547,469,312 in fiscal year 2008-2009. Specifically regarding general fund appropriations, this budget appropriates \$5,185,479,550 in fiscal year 2007-2008 and \$5,283,880,275 in fiscal year 2008-2009. Compared with the budget submitted by the Governor in December 2006, as adjusted by Governor's Messages throughout this legislative session, this budget represents a decrease of \$2,369,010 in fiscal year 2007-2008 and another decrease of \$1,849,228 in fiscal year 2008-2009 in general fund appropriations. In new general fund appropriations, lower education accounts for approximately thirty-five per cent, higher education accounts for approximately eighteen per cent, and health and human services accounts for approximately twenty-seven per cent of the change to the State's general fund budget.

The following agencies and individuals submitted comments in support of this measure: the Department of Human Resources



Development, the Hawaii State Ethics Commission, the Hawaii State Teachers Association, the Hawaii Disability Rights Center, the Maui County Department of the Prosecuting Attorney, the Hawaii Forest Industry Association, and seventy-two other agencies and individuals, mainly business owners and University of Hawaii professors, staff, students, and parents.

The following agencies and individuals submitted comments on this measure: the Department of Labor and Industrial Relations, the Department of Business, Economic Development and Tourism, the Department of Accounting and General Services, the Department of Human Services, the Department of Public Safety, the Department of Land and Natural Resources, the Department of Agriculture, the Department of Transportation, the Department of Hawaiian Home Lands, the City and County of Honolulu Department of the Prosecuting Attorney, the Nature Conservancy, the Hawaii Science & Technology Council, Citizens Against Noise of Hawaii, and thirty six other University of Hawaii professors, staff, and students.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 500, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 500, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,


  
ROSALYN H. BAKER, Chair





The Senate  
Twenty-Fourth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>HB 500 HD1</b>	Committee Referral: <b>WAM</b>	Date: <b>3/27/07</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
• BAKER, Rosalyn H. (C)	/			
• TSUTSUI, Shan S. (VC)	/			
• CHUN OAKLAND, Suzanne	/			
• ENGLISH, J. Kalani	/			
• FUKUNAGA, Carol	/			
• HOOSER, Gary L.	/			
• KIM, Donna Mercado	/			
• MENOR, Ron				/
• TOKUDA, Jill N.	/			
• HEMMINGS, Fred				/
• WHALEN, Paul				/
<b>TOTAL</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:                              Original                              Yellow                              Pink File with Committee Report             Clerk's Office                         Drafting Agency				

\*Only one measure per Record of Votes