
A BILL FOR AN ACT

MAKING AN EMERGENCY APPROPRIATION FOR THE DEPARTMENT OF HUMAN SERVICES TO ADDRESS THE BUDGET SHORTFALL.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. This Act is recommended by the governor for
2 immediate passage in accordance with section 9 of article VII of
3 the Constitution of the State of Hawaii.

4 SECTION 2. A critical fiscal emergency exists. Many
5 unprecedented events have converged to create an economic,
6 financial, and fiscal environment that threatens the very
7 foundation of our national economy. Problems that arose in the
8 national housing sector and sub-prime mortgage market last year
9 have radiated from Wall Street to Main Street. Across the
10 United States, the result has been increasing business
11 bankruptcies and closures, lower consumer confidence and
12 spending, and job losses and rising unemployment.

13 For state governments, the financial crisis and economic
14 downturn have adversely impacted tax revenues and budgets. Most
15 states, like Hawaii, rely on income and sales taxes as their
16 main sources of revenues. The slowdown in employment and

1 consumer spending has reduced state revenues nationwide at a
2 time when operating costs continue to rise.

3 Hawaii is experiencing a severe contraction in its visitor,
4 retail, and construction industries. As a consequence, the
5 council on revenues has revised its revenue projections downward
6 five times during 2008 and once again at the beginning of
7 January 2009. For fiscal year 2008-2009 alone, these downward
8 projections result in a reduction totaling \$491,100,000. Based
9 on the council on revenues' January 2009 projections, the State
10 is faced with a general fund revenue shortfall of \$343,100,000
11 in fiscal year 2008-2009 if corrective action is not taken.
12 This emergency appropriation is necessary in order for the State
13 to address this shortfall.

14 SECTION 3. The legislature finds and declares that:

15 (1) The health care payments program (HMS 401) of the
16 department of human services is essential to the
17 public health, safety, and welfare of the people of
18 the State of Hawaii;

19 (2) An appropriation from the emergency and budget reserve
20 fund is needed to fund the health care payments
21 program for fiscal year 2008-2009 due to the severe

1 economic downturn impacting the State that has reduced
2 state general fund revenues;

3 (3) The appropriation in this Act will assist in
4 addressing the critical budget shortfall facing the
5 State in fiscal year 2008-2009 by allowing moneys from
6 the emergency and budget reserve fund to be used as a
7 source of funding to replace the general funds that
8 are currently appropriated for the health care
9 payments program for fiscal year 2008-2009; and

10 (4) The appropriation in this Act is consistent with the
11 purposes of the emergency and budget reserve fund.

12 The purpose of this Act is to appropriate \$60,000,000 from
13 the emergency and budget reserve fund to replace general funds
14 appropriated in Act 213, Session Laws of Hawaii 2007, as amended
15 by Act 158, Session Laws of Hawaii 2008, for the health care
16 payments program (HMS 401) of the department of human services
17 and, thereby, help to address the budget shortfall in fiscal
18 year 2008-2009.

19 SECTION 4. There is appropriated out of the emergency and
20 budget reserve fund the sum of \$60,000,000, or so much thereof
21 as may be necessary for fiscal year 2008-2009, for the health
22 care payments program (HMS 401). The funds are to be used to

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1 replace a like amount of general funds currently appropriated
2 for the health care payments program.

3 The sum appropriated shall be expended by the department of
4 human services to carry out the purposes of this Act.

5 SECTION 5. This Act shall take effect upon its approval.

6 INTRODUCED BY: Calvin K. Day

8 BY REQUEST

JAN 26 2009

Report Title:

Appropriation; Emergency and Budget Reserve Fund

Description:

Emergency appropriation from the Emergency and Budget Reserve Fund to replace general funds appropriated for the health care payments program (HMS 401) to address the budget shortfall in fiscal year 2008-2009.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT MAKING AN EMERGENCY APPROPRIATION FOR THE DEPARTMENT OF HUMAN SERVICES TO ADDRESS THE BUDGET SHORTFALL.

PURPOSE: Appropriate \$60,000,000 from the Emergency and Budget Reserve Fund to replace general funds appropriated in Act 213, Session Laws of Hawaii 2007, as amended by Act 158, Session Laws of Hawaii 2008, for the Health Care Payments Program (HMS 401), to help address the budget shortfall in fiscal year 2008-2009.

MEANS: Appropriate funds from the Emergency and Budget Reserve Fund.

JUSTIFICATION: Many unprecedented events have converged to create an economic, financial, and fiscal environment that threatens the very foundation of our national economy. Problems that arose in the national housing sector and sub-prime mortgage market last year have radiated from Wall Street to Main Street. Across the United States, the result has been increasing business bankruptcies and closures, lower consumer confidence and spending, and job losses and rising unemployment.

For state governments, the financial crisis and economic downturn have adversely impacted tax revenues and budgets. Most states, like Hawaii, rely on income and sales taxes as their main sources of revenues. The slowdown in employment and consumer spending has reduced state revenues nationwide at a time when operating costs continue to rise.

Hawaii is experiencing a severe contraction in its visitor, retail, and construction industries. As a consequence, the Council

on Revenues has revised its revenue projections downward five times during 2008 and once again at the beginning of January 2009. For fiscal year 2008-2009 alone, these downward projections result in a reduction totaling \$491,100,000. Based on the Council on Revenues' January 2009 projections, the State is faced with a general fund revenue shortfall of \$343,100,000 in fiscal year 2008-2009 if corrective action is not taken. This emergency appropriation is necessary in order for the State to address this shortfall.

Impact on the public: This measure will help ensure that the budget shortfall is met and that the State is operating within a balanced budget.

Impact on the department and other agencies: This measure will help ensure that the budget shortfall is met and that the State is operating within a balanced budget.

GENERAL FUND: None.

OTHER FUNDS: \$60,000,000 from the Emergency and Budget Reserve Fund in fiscal year 2008-2009.

PPBS PROGRAM DESIGNATION: HMS-401.

OTHER AGENCIES AFFECTED: Department of Human Services.

EFFECTIVE DATE: Upon approval.