

MEDIA EMBARGO TO: 10:00 A.M. JANUARY 21, 2009

OPENING DAY SPEECH – Speaker of the House Calvin K.Y.Say

1/21/09

Welcome Governor Lingle, Chief Justice Moon, Lieutenant Governor Aiona, House colleagues, family members, and friends. Welcome to the opening session of the House of Representatives of the Twenty-Fifth Legislature.

A wise man once said: "Be thankful for each new challenge because it will build your strength and character".

Members, in these times of extraordinary economic and budgetary challenges, we have much for which to be "thankful". Meeting those challenges will surely build our strength and character.

The world has experienced a major economic crisis within the past year, a situation that is expected to worsen. UHERO, the University of Hawaii Economic Research Organization, predicts that, in 2009, "the rich world will be in recession, and developing economies will suffer a sharp reduction in growth rates."

One statistic tells the story of the decline of the United States economy. The U.S. stock market lost \$6.9 trillion dollars in value in 2008, wiping out the gains of the previous six years. How many zeros does one trillion have? Do you know or is that number too far out for you to comprehend? Well, one trillion is the number "1" followed by twelve "zeros".

Naturally, the worldwide economic crisis has spilled over into our Hawaii economy. For 2008, visitor arrivals may have decreased by a double digit percentage. Primarily because of the visitor industry problems, UHERO projects that the Hawaii unemployment

rate will increase to 5.8 per cent in 2009. The number of jobs will decline by 1.4 per cent in 2009 after zero growth in 2008.

Most telling of our economic slide is the Council of Revenues' projections of general fund tax revenues. On January 9, 2009, the Council projected that general fund tax revenues in fiscal year 2009 would decline by 3 per cent.

Where does this leave us?

Between the end of the 2008 session and January 9, the slide in the Council of Revenue's projection has resulted in a cumulative budget deficit over three years of \$1.8 billion. We must make up this shortfall. And this will be our major challenge.

To paraphrase Martin Luther King, Jr., "the true measure of a person is not how the person behaves in moments of comfort and convenience, but how the person stands at times of controversy and challenges."

What is our true measure? How will we react to the challenges of our State?

Members, we are no longer in the times of "comfort and convenience" of the past few years. We are facing a budget crisis unmatched in my 32 years in the House.

Consequently, I lay the following challenges on all of us.

I challenge all of us to join together to resolve the budget crisis. I pledge to work with the Administration and, obviously, the Senate on a cooperative basis. Everybody has to be part of the solution.

I also challenge all of us to focus on our priorities. Passing a balanced budget that protects public health and safety and basic education should be the top priority. Maintaining the economy until growth resumes should be another top priority.

Five basic policies should guide us in our budget deliberations.

First, I challenge all of us to maintain a basic safety net of social and health services. Financial troubles cause the most stress for families, leading to increased substance abuse and domestic violence. We should make sure that troubled families have access to basic state services that may mitigate their social and health problems. Although in these problematic budgetary times we cannot afford to expand such services, we should try our best to maintain a basic level.

Imagine just being laid off from your job. You have a mortgage. You no longer have health insurance coverage. You have car payments. Your children need to visit the doctor. You cannot rely on parents who are on a fixed income for financial support.

Today, you are able to receive a maximum of \$545 a week, or \$2,180 a month, in unemployment compensation. How far does that take you? You can feed and clothe your family on that amount, but will you have enough left over to pay the mortgage you incurred while employed? Probably not. Will you have enough to pay for major surgery if ill health befalls you? Definitely not!

For the immediate term, we must pay attention to those persons whose misfortunes are not their fault. We should encourage the federal government through its stimulus package to provide basic health care coverage and extended, increased unemployment compensation. After all, the federal government provided a massive bailout to financial institutions.

For the mid-term and long-term, we should seek structural reform that may prevent in the future the problems we are experiencing today. We should not be afraid of considering structural reform in our health system, tax system, land use and permitting system, and even land tenure system.

Second, I challenge all of us to maintain the level of education in the classrooms. Education is our greatest investment. We owe to future generations the opportunity to improve themselves and their community and environment. This opportunity comes from more education. We cannot afford to regress.

This is not to say that the entire budgets of the Department of Education and University of Hawaii will be sacred. Instructional services necessary for the classroom should be maintained, but central and school administration expenses should be heavily scrutinized.

Third, I challenge all of us to avoid the layoff of existing state employees to solve the budget crisis. State employees are valuable assets. They know their jobs, and the great majority performs very well. Layoffs may lead to morale problems and even efficiency problems if civil service bumping procedures have to be implemented.

This, however, is not to say that state employees will be unscathed while private sector employees are suffering. With great reluctance, we may have to implement some level of reform of state employee benefits in order to maintain basic services, avoid layoffs, and balance the budget. The pain should be broadly shared by all rather than concentrated on only an unfortunate few.

Fourth, I challenge all of us to work with the federal government on fiscal stimulus packages. We must be willing to complement with state funds the capital that the federal government sends our way. This will be a golden opportunity to fix our infrastructure, advance our renewable energy technology and power sources, provide more health care coverage, build more housing, and increase the military's capability and economic contribution. Of greatest importance, the stimulus will put our people to work.

Fifth, I challenge all of us to always be cognizant of the big picture, always aware that a benefit to one special interest group may require a takeaway from another special interest group or the general public. Remember, almost all special interest groups,

whether for-profit or nonprofit, have organized memberships with a lobbying presence at the Legislature. Ordinary taxpayers, however, have none. They have only you and me.

Finally, I challenge all of us to treat this budget crisis as an opportunity for reform. We should not be afraid of change when for the common good. Challenges require solutions that may unleash our creativity, overturn conventional thinking, and remove barriers of political fear. One proposal that we should seriously consider is reform of the general excise tax system by repealing various exemptions, and using that savings to decrease the current state four per cent rate. Another possible proposal is the repeal of various income tax deductions and credits, with a decrease of the lower bracket tax rates. Interest groups who benefit from the exemptions, credits, and deductions should be willing to forgo their special benefits in order to reduce the burden on ordinary persons, families, and businesses.

Someone has said: in a crisis, one cannot wait for all the answers before taking action. That will lead to the infamous "paralysis by analysis". Our common sense, political and life experiences, good faith, and collective wisdom will be our guide in making decisions in a crisis.

Solving challenges requires "confidence" in oneself and each other.

We must have "confidence" in our ability to improve our State -- but a "confidence" built on a foundation of hard work, study, experience, and cooperation.

I have confidence that together we will be successful in meeting all the challenges facing us.

This speech has been primarily directed at my colleagues in this House, but I leave the following challenges to you: my friends, family, and members of the public.

We should take a simpler approach in trying to solve problems. Many years ago, I could talk directly to the leaders of industry in Hawaii, such as Doc Buyers, Bobby Pfeiffer, or Hung Wo Ching, about a problem that a constituent may have had. No more. In this now global economy, Hawaii's industries are owned or controlled by mainland and international investors, who are often unreachable.

We should exercise more of a social conscience when doing business in Hawaii. Developers should be more than willing to help moderate-income families by building affordable housing. In this respect, I will again push for a greater affordable housing assessment on developments in Kakaako mauka, the landowners of which benefitted substantially from the State's infrastructure investment there. We should not push all affordable housing into the country. We need communities with mixed-income families so that the rich and poor may come to know each other better.

We should try to keep our land in local ownership. Out-of-state landowners seem not to have an appreciation or understanding of our local businesses. Their bottom line is exclusively the maximum return on their investment. They, instead, should work with local lessees or businesses for the mutual benefit of both parties. There should be enough to go around for all. Local lessees and businesses represent the long-term future of Hawaii, and they should not be compromised by out-of-state corporations.

I recognize that our capitalistic system is based on the profit motive. Those with money, assets, and opportunity should be able to freely invest and make the maximum return if they choose to do so. They, however, would be much more respected in the community if they were satisfied with a more moderate return that left some benefits on the table for others, such as low- or moderate-income housing purchasers or renters.

Since I have commented on the willingness to face challenges, I would be remiss if I did not mention Representative Mark Takai. Mark – will you please stand? On February 6th, he will report for active duty with the Hawaii Army National Guard and be deployed to

Kuwait for six months. Representative Takai, take care of yourself and your fellow Guard members. We all wish you the very best and a safe return home.

In closing, I would like to say a fond "good bye" to State Representative Bob Nakasone.

Bob was a great man because he stood strong during times of controversy and challenges. He was a man of great character. Bob would have relished addressing today's budgetary crisis and would not have been afraid of taking unpopular positions. Bob had exceptional personal and political courage. He simply did what he thought was right -- what was in the public's best interest for the greater good.

Members, everything I have talked about here today will require courage and strong convictions. Meeting our challenges will not be easy, and many of the decisions we make will be unpopular. However, if we find the political courage to make those decisions, we can seize the opportunity to address the pressing needs of our State in the short term, and lay the foundation for our highest desires in the long term.

With this in mind, I offer this piece of advice as we face the beginning of our session: When you don't know how to vote on tough issues because you're afraid of the outcome, do what our friend Bob Nakasone would have done: Vote with courage, vote with conviction, vote for the common good.

Thank you.