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February 5, 2009

LATE
Testimony

MEMORANDUM

TO: Honorable John M. Mizuno, Chair
House Committee on Human Services

Honorable Ryan I. Yamane, Chair
Senate Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 1064 – MAKING AN EMERGENCY APPROPRIATION FOR THE
DEPARTMENT OF HUMAN SERVICES TO ADDRESS THE BUDGET
SHORTFALL**

Hearing: Thursday, February 05, 2009 10:30 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is allow 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.

DEPARTMENT'S POSITION: The Department of Human Services defers to the Department of Budget and Finance on this bill.

Thank you for this opportunity to testify.

LATE
Testimony

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEES ON HUMAN SERVICES AND HEALTH
ON
HOUSE BILL NO. 1064

February 5, 2009

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

House Bill No. 1064 appropriates \$60 million from the Emergency and Budget Reserve Fund to replace general funds that are currently appropriated for the health care payments program for Fiscal Year 2009. This appropriation is needed to assist in addressing the critical budget shortfall facing the State in Fiscal Year 2009.

When the Fiscal Biennium 2009-11 Executive Budget was submitted, we projected a general fund balance of \$42.5 million at the end of Fiscal Year 2009. However, at its January 2009 meeting, the Council on Revenues reduced its general fund tax revenue projections by \$116.0 million for Fiscal Year 2009. Together with reductions in general fund non-tax revenue projections, if no corrective action is taken, we face a deficit of \$75.6 million in the general fund balance by the end of Fiscal Year 2009.

To meet this deficit, we are proposing the following actions:

1. Use an additional \$20 million from the Emergency and Budget Reserve Fund in Fiscal Year 2009 instead of in Fiscal Year 2010 as originally planned; this brings the total Fiscal Year 2009 appropriations from the Emergency and Budget Reserve Fund to \$60 million (as proposed in this bill).
2. Impose an additional 2% restriction on Fiscal Year 2009 discretionary funds for the Executive Branch.

3. \$31 million federal Medicaid reimbursement of Fiscal Year 2008 expenditures.
4. Accelerate the transfer of \$14 million of excess revenues from the Unclaimed Property Trust Fund and the Public Utilities Commission Special Fund from Fiscal Year 2010 to Fiscal Year 2009.

Accordingly, this bill is a vital part of our efforts to address the budget shortfall.