

JAN 26 2009

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# A BILL FOR AN ACT

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

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

15           Hawaii is experiencing a severe contraction in its visitor,  
16 retail, and construction industries. As a consequence, the  
17 council on revenues has revised its revenue projections downward

1 five times during 2008 and once again at the beginning of  
2 January 2009. The cumulative effect of these successive  
3 reductions in revenue estimates for fiscal years 2008-2009,  
4 2009-2010 and 2010-2011 is a substantial decrease in the amount  
5 of general funds that the State can expect in the immediate and  
6 near future. Given the level of spending that has been  
7 authorized by the legislature during the 2007 and 2008 regular  
8 and special sessions and the anticipated rising cost of state  
9 operations, a \$1,760,000,000 general fund budget shortfall is  
10 projected by the end of fiscal year 2010-2011 if corrective  
11 action is not taken. This appropriation is one of the steps  
12 being taken to address this shortfall.

13 SECTION 2. The legislature finds and declares that:

- 14 (1) The health care payments program (HMS 401) of the  
15 department of human services is essential to the  
16 public health, safety, and welfare of the people of  
17 the State of Hawaii;
- 18 (2) An appropriation from the emergency and budget reserve  
19 fund is needed to fund the health care payments  
20 program for fiscal year 2009-2010 due to the severe  
21 economic downturn impacting the State that has reduced  
22 state general fund revenues;

1           (3) The appropriation in this Act will assist in  
2           addressing the critical budget shortfall facing the  
3           State in fiscal biennium 2009-2011 by allowing moneys  
4           from the emergency and budget reserve fund to be used  
5           as a source of funding to replace the general funds  
6           that would be used to fund the health care payments  
7           program for fiscal year 2009-2010; and

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

10          The purpose of this Act is to appropriate \$15,000,000 from  
11          the emergency and budget reserve fund to fund the health care  
12          payments program of the department of human services for fiscal  
13          year 2009-2010 in lieu of general funds to help address the  
14          budget shortfall in fiscal biennium 2009-2011.

15          SECTION 4. There is appropriated out of the emergency and  
16          budget reserve fund the sum of \$15,000,000, or so much thereof  
17          as may be necessary for fiscal year 2009-2010, for the health  
18          care payments program (HMS 401). The funds are in lieu of a  
19          like amount of general funds that would have had to be  
20          appropriated for the health care payments program for fiscal  
21          year 2009-2010.

S.B. NO. 883

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

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

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INTRODUCED BY: \_\_\_\_\_

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BY REQUEST

**Report Title:**

Appropriation; Emergency Budget and Reserve Fund

**Description:**

Fiscal Year 2009-2010 appropriation from the Emergency and Budget Reserve Fund in lieu of general funds for the health care payments program (HMS 401) to address the budget shortfall in fiscal biennium 2009-2011.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

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

PURPOSE: Appropriate \$15,000,000 from the Emergency and Budget Reserve Fund to fund the Health Care Payments Program (HMS 401) for fiscal year 2009-2010, in lieu of general funds, to help address the budget shortfall in fiscal biennium 2009-2011.

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 industry, and retail and construction sectors. 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. The cumulative effect of these successive reductions in revenue estimates for fiscal years 2008-2009, 2009-2010 and 2010-2011 is a substantial decrease in the amount of general funds that the State can expect in the immediate and near future. Given the level of spending that has been authorized by the Legislature during the 2007 and 2008 regular and special sessions and the anticipated rising cost of state operations, a \$1,760,000,000 general fund budget shortfall is projected by the end of fiscal year 2010-2011 if corrective action is not taken. This appropriation is one of the steps being taken 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: \$15,000,000 from the Emergency and Budget Reserve Fund for fiscal year 2009-2010.

PPBS PROGRAM  
DESIGNATION: HMS 401.

OTHER AGENCIES  
AFFECTED: Department of Human Services.

EFFECTIVE DATE: Upon approval.