

March 11, 2010

Representative John Mizuno, Chair House Human Services Committee  
Representative Ryan Yamane, Chair House Health Committee  
Hawaii State Capitol  
Honolulu, HI 96813

**LATE**  
Testimony

Re: SB 2469, Relating to the Rainy Day Fund

Dear Representatives Mizuno and Yamane:

As you know, health and human services for the most vulnerable in our communities have been devastated by cuts made by both the legislature and also the administration. These have not received the public outcry that education has, primarily because those affected do not speak out for themselves as well as middle class families speak out for their children's education. There is little left a "safety net", which will result in increasing numbers of people on welfare, living on the street, in prison. These outcomes have huge costs to the state!

At a PHOCUSED presentation yesterday, economist David Brubaker and several UH economists made excellent presentations on the impact of service program cuts, use of special funds and increased taxes in balancing the budget and reducing deficit. This unfortunately was poorly attended by legislators the following points were made. The financial points were based on studies and used precise numbers not available to me at the moment, but which hopefully will be made available to all legislators very soon.

1. Use of **special funds** sitting in bank accounts is the most financially beneficial way to balance the budget. It has **no negative impact upon tax revenue and unemployment benefits** as do position and program cuts.
2. Use of small temporary tax increases is the next best, as the impact ratio on tax revenues is positive and there are no unemployment benefit effects. Such tax increases affect primarily those who can afford them, who will not object strenuously if temporary.
3. **Cuts to state and private human services carry the greatest negative impact on the deficit, as unemployment payments increase and tax revenues decrease.**
4. The message that Hawaii's safety net is decimated resulting in more homeless in the streets and parks, as well as the impact on infrastructure is **making it's way into tourist literature**. We can't afford to lose tourism business. I have personally witnessed some scenes in a downtown Honolulu parking lot that should not be happening.

**It is time to use the rainy day fund for its intended purpose!** It couldn't be raining harder.

Sincerely,

Gail Breakey, Director  
Hawaii Family Support Institute