

Honolulu, Hawaii

April 29, 2011

RE: H.B. No. 200
H.D. 1
S.D. 1
C.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 200, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE STATE BUDGET,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose and intent of this measure is to appropriate funds for the operating and capital improvements budget of the executive branch for fiscal year 2011-2012 and fiscal year 2012-2013.

I. INTRODUCTION

In 2009, the Legislature faced an unprecedented budget challenge of addressing a shortfall of approximately \$2.1 billion through the end of the fiscal biennium. After adopting a balanced budget and financial plan by session's end, the ensuing 2010 Legislature fared no better and was confronted with an additional



budget shortfall of approximately \$1.2 billion over the remainder of the same period.

Your Committee on Conference finds itself confronted with another large shortfall, now estimated to be \$1.3 billion. Current events, in particular the March 11, 2011, earthquake in Sendai, Japan and the ensuing tsunami that devastated several communities, coupled with turbulent political upheaval in North Africa and the Middle East have dampened Hawaii's fragile economic recovery.

Nevertheless, your Committee on Conference is fortified by the lessons learned over the past several years and by the administration's positive direction as articulated in the Governor's "New Day" initiatives. These include promises to restructure and prioritize state programs. Accordingly, your Committee on Conference finds that the Governor should prudently use the economic downturn as an opportunity to take a long and hard look at the executive branch's organizational structure and develop proposals for the Legislature to evaluate.

Your Committee's guiding principles for the biennium budget were to first identify and support the State's core functions - those programs and services that the State should be providing - and second to make strategic investments in people and programs that encourage economic growth, lower long-term future costs, and provide meaningful public services.

Your Committee on Conference appreciates the efforts of all those who have provided input, including department directors who testified at pre-session briefings, the state employees who fielded hundreds of questions from legislators and staff, and the thousands of engaged citizens who shared with us their thoughts, hopes, and concerns.

II. ECONOMIC OUTLOOK

National Economic Outlook

Although the recession is thought to have ended in mid-2009, the Congressional Budget Office, which produces ten-year economic forecasts for the congressional budget committees, describes the current recovery and pace of growth as "anemic," noting that unemployment has remained high in this recession as payroll employment gained a mere seventy thousand jobs (or 0.06 per cent), on net, between June 2009 and December 2010, whereas in past



recoveries, employment rose on average by 4.4 per cent in the same time frame.

The Congressional Budget Office estimates that after continued job losses in the near term, the economy is expected to add 2.5 million jobs per year over the next five years, bringing the unemployment rate down from 9.2 per cent to 5.3 per cent, which is close to the Congressional Budget Office's estimate of the economy's natural rate of unemployment of 5.2 per cent.

President Obama's *2011 Economic Report* reflects the view that the national economy is operating substantially below its potential level, as indicated by the elevated unemployment rate and continued stresses in the housing market in many areas; however, the economy is no longer on the brink of depression, growth has resumed, jobs are returning, and unemployment is falling.

The financial markets have improved as the stock market gained thirteen per cent in 2010 and have continued gaining into 2011. Your Committee on Conference recognizes that while the national economy is improving, it is improving at a much slower rate than many expected.

The Economic Outlook for Hawaii

The University of Hawaii Economic Research Organization (UHERO) reports that "Hawaii's recovery continues to be led by the resurgence of the visitor industry" as evidenced by the 8.8 per cent increase in visitor arrivals year over year. However, the University of Hawaii Economic Research Organization and the Department of Business, Economic Development, and Tourism (DBEDT) caution that:

- "The surprisingly rapid pace of visitor industry rebound is unlikely to persist. Abroad, the sharp initial Asian pickup is now past, while rising energy prices and sovereign debt problems will weigh on growth elsewhere." DBEDT forecasts a more modest four per cent and 2.5 per cent increase in visitor arrivals for 2011 and 2012, respectively.
- "After improving from 6.9 per cent in January to 6.3 per cent in June, the seasonally adjusted statewide unemployment rate has remained stuck at 6.4 per cent through December 2010." However, UHERO sees broad based improvements in the economy for 2011 and 2012 as Hawaii's recovery strengthens and Oahu rail transit construction gets underway.



- "Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan." The effects of the March 2011 earthquake, tsunami, and nuclear crisis in Japan are unknown, however global events and their ensuing repercussions have altered Hawaii's economic forecast in recent decades including the 9/11 terrorists attacks in 2001, SARS in 2003, and the H1N1-A virus in 2009.

III. GENERAL FUND REVENUE OUTLOOK

By law, the Council on Revenues (Council) reports its latest tax revenue forecast to the Governor and the Legislature on June 1, September 10, January 10, and March 15 of each year. The revenues come primarily from the general excise tax and the state income tax. Since the March 2010 forecast, the Council has both raised and lowered its prediction of tax revenues for the current fiscal year. The Council's most recent forecast on March 29, 2011, lowered the growth rate to -1.6 per cent. The erratic changes in the Council's forecasts, due largely to the income tax refund delay imposed by the prior administration, have hindered your Committee's ability to formulate a functional budget, as appropriation requests are largely based on original revenue projections that are no longer viable.

The administration based its original budget request on the Council's September 2009 projection of two per cent general fund tax revenue growth for fiscal year 2010-2011. Using this revenue projection, the budget deficit over the upcoming biennium was initially estimated at \$818.5 million.

On December 29, 2010, the Council revised its forecast upward from two per cent to three per cent, resulting in an anticipated gain of \$146.6 million in tax revenue through the end of the fiscal biennium. Incredulous that such an increase in revenue would materialize, neither the administration nor your Committee on Conference relied upon it.

On March 10, 2011, the Council revised its forecast downward from three per cent to 0.5 per cent, which resulted in a subsequent projected revenue reduction of \$243 million through the end of the fiscal biennium. Hours later, Japan was struck by a trifecta of disasters -- the 9.0 magnitude earthquake, deadly tsunami, and nuclear calamity. The disasters were unimaginable, devastating the



Japanese people, causing unprecedented damage, and crippling Japan's economy.

Given Japan's significant share in the State's tourism market, the Council was called back into session and convened on March 29, 2011, to re-evaluate its March 10, 2011, meeting projection in anticipation of declining numbers of Japanese visitors.

Although the Council lowered the projection to -1.6 per cent, which resulted in an additional revenue loss of \$93.1 million for fiscal year 2010-2011 alone, and a loss of \$311.7 million through the end of the fiscal biennium, the Council adjustment was due more in part to poor tax collections in February 2011 than the tragic events in Japan. In fact, some of the Council members noted that they did not see the events in Japan as having long-term effects on the State's economy.

With the revised revenue levels, a net \$1.3 billion deficit is projected over the biennium. However, despite the downward revenue projections for the current fiscal year, the Council retained its March 10 revenue growth forecast for fiscal year 2011-2012 of eleven per cent and maintained the previous forecast for fiscal years 2013-2017 at six per cent. The forecast was rationalized by the Council Chair's optimistic statements that the two most important core components of Hawaii's general fund revenues, general excise and use taxes and withholding taxes on wages, continue to grow at rates consistent with economic recovery.

Given the global and economic uncertainties and the recent volatility in the Council's projections, it is with great caution that your Committee on Conference accepts the Council's current revenue projection and notes the significant downside risk that exists for the revenue growth assumptions for the budget planning period.

IV. BUDGET OVERVIEW

The budget deficit through the end of the next biennium is now estimated to be \$1.3 billion. This follows two consecutive years that have required state government to address shortfalls of \$2.1 billion and \$1.2 billion, respectively. These are momentous amounts, given that current year authorized spending for the executive branch of government is approximately \$5 billion.



Various measures were implemented to address the prior budget shortfalls. These began with wholesale reductions of up to twenty per cent of what was deemed discretionary spending and the use of American Reinvestment and Recovery Act of 2009 (ARRA) funds to supplant general fund spending.

As the revenue picture further deteriorated, the Governor implemented across the board spending restrictions equivalent to the savings that three furlough days per month would yield. Departments met these required savings targets most notably through the implementation of two furlough days per month. A reduction in force of approximately one thousand state workers, the reduction of vacant positions, and a number of other measures were implemented to further reduce state spending.

This legislative session, the executive budget initially proposed to the Legislature was principally prepared by the prior administration. At the program level, it basically sought to maintain spending levels of the current fiscal year. Of the budget adjustments it proposed, several were significant. The initially proposed budget recognized the loss of ARRA funds, the significant Medicaid shortfall, and higher debt service payments. Amounts previously reduced to reflect furlough savings were also restored, reflecting uncertainty of the labor savings component. These adjustments, largely non-discretionary in nature, resulted in a request to add \$624.9 million for fiscal year 2011-2012 and \$810.6 million for fiscal year 2012-2013.

On February 22, the new administration submitted a request to add an additional \$133.8 million for fiscal year 2011-2012 and \$160.3 million for fiscal year 2012-2013. This includes about \$100 million over the biennium to address immediate needs of state programs as determined by the new administration, \$54.3 million per year for Employer-Union Health Benefits Trust Fund payments, \$49.5 million per year for the Temporary Assistance for Needy Families (TANF) Program, \$13.2 million per year to address Medicaid needs related to the Compact of Free Association (COFA), \$36.8 million for a deferred Employee Retirement System (ERS) payment, and the reduction of \$75 million over the fiscal biennium for Medicaid to reflect the scaling back of benefits.

The House of Representatives passed a draft of the budget that accepted the initially proposed budget adjustments, including \$200 million to end furloughs, Medicaid healthcare payments totaling \$536.4 million in general funds and matching federal funds, and provided \$36.8 million for delayed ERS payment for fiscal biennium



2011-2013. The House draft also took under advisement the February 22 Governor's Message to allow further consideration and development of a revenue plan to fund these initiatives.

Further, where the House draft reduced appropriations for operational expenditures by approximately \$120 million, it was the intent of the House of Representatives to support the Governor's retooling and restructuring effort by providing the Governor with great flexibility to allocate resources appropriated to the executive branch of government. As such, these reductions did not target specific programs, but rather have relied upon the departments' program expertise and the abilities of the new administration to determine where they could generate savings or cut waste.

The Senate's draft of the executive budget was largely premised upon the need to maintain a significant labor savings component of the budget through collective bargaining cost item adjustments. Though the Senate draft provided funding to maintain the current level of instructional school days, the Senate otherwise expected the same level of labor cost savings assumed for the current fiscal year to be realized. Additionally, the Senate reduced \$30.3 million budgeted per year for vacant positions

However, the Senate also funded the majority of the administration's initial appropriation requests contained in the executive budget and a number of the new administration's supplemental appropriation requests. These included about half of the new administration's requests for an additional \$100 million over the biennium to meet immediate needs of state departments, as well as significant funding for Medicaid, TANF and COFA related requirements.

Your Committee on Conference was tasked with development of a responsible budget that finds common ground and compromise between the various drafts of the executive budget. A balanced approach was taken that incorporates various components of drafts prepared by the House of Representatives and the Senate.

First, your Committee on Conference reflects labor savings in the amount of \$88.2 million per year as a lump-sum reduction to the Department of Budget and Finance. Your Committee on Conference intends that the administration transfer labor savings resulting from collective bargaining agreements into the department to restore this reduction.



Second, all reductions made to state programs in drafts of the budget proposed by the House of Representatives and the Senate were evaluated. In many cases, reductions made to programs that are contained in this draft of the budget are tempered from that proposed in either the House or Senate draft.

Third, a lump-sum reduction in the amount of \$50 million per year was placed in the Department of Budget and Finance to provide the Governor with maximum flexibility to allocate the reduction among the executive branch of government. Your Committee on Conference has heard the Governor's desire to reprioritize and retool state government and his counsel against excessive "horizontal" reductions. Your Committee on Conference has provided the Governor with the authority to allocate this reduction to state programs and encourages the administration to carefully assess how resources should be allocated and from what programs funds shall be transferred to the Department of Budget and Finance to restore this reduction. Transfers made from state programs to restore this reduction shall be made in conjunction with the Governor's efforts to reprioritize state government.

Finally, your Committee on Conference thoroughly reviewed each of the Governor's requests for additional resources. Your Committee on Conference funded many of these requests, as they pertain to maintaining the safety net and the restoring the ability of government to perform certain necessary functions. Your Committee on Conference notes that many difficult choices were made and that many funding requests could not be accommodated.

Your Committee's adjustments to the executive budget have resulted in the general fund reduction of \$259.8 million for fiscal year 2011-2012 and \$358.8 million for fiscal year 2012-2013 from amounts requested by the administration. This is a reduction of about \$618.6 million over the fiscal biennium, nearly half the amount needed to close the budget gap.

V. DEPARTMENT HIGHLIGHTS

Human Services

The prolonged economic recession has fostered exponential growth in the demand for social services. Your Committee on Conference recognizes the importance of providing core services to individuals and families in need and remains committed in its



support of the Department of Human Services' efforts to deliver assistance to Hawaii's vulnerable populations.

The department faces several challenges in providing social services to the State's needy populations under the current fiscal constraints. The reduction-in-force (RIF) eliminated three hundred sixty-five positions across the department, creating backlogs and limiting contract oversight in a number of programs.

As health care costs continue to rise and enrollment levels climb, closing the Medicaid shortfall remains a daunting task. The MedQUEST Division has accommodated a twenty-five per cent enrollment increase while managing a forty per cent staff reduction and twice monthly furloughs. These economic straits are further exacerbated by carry-over deficits from the previous administration's short-sighted delayed payment strategies.

Medicaid plays a vital role in the lives of more than twenty per cent of Hawaii's residents. In an effort to continue delivering needed medical services to Hawaii's vulnerable population, your Committee on Conference provided an additional \$248.2 million in fiscal year 2011-2012 and \$288.2 million in fiscal year 2012-2013, which will be matched with federal dollars, to fund health care payments for Medicaid beneficiaries.

However, in prior years, your Committee on Conference has cautioned the department on the fiscal limitations of the general fund and the risks Medicaid expansion would create. Unfortunately, the department's failure to make timely reductions has resulted in the need for dramatic benefit changes to ensure funds remain available for critical medical services.

Your Committee on Conference has accepted the Governor's proposal to save \$150 million over the next fiscal biennium by reducing Medicaid benefits. Indeed, this marks a crossroad for many beneficiaries who have grown accustomed to unlimited services, no co-pay, no premiums, and zero deductibles. Unfortunately, with the increased demand for government subsidized health care and anticipated decrease in the federal medical assistance (FMAP) percentage reimbursements, these types of plans are unsustainable.

Your Committee on Conference finds that leveraging state funds to bring in substantial federal matching funds to mitigate state costs is fiscally prudent. As such, your Committee on Conference agreed to \$70,400 in general fund expenditures to implement the



Electronic Health Record Incentive Program, which will receive \$668,232 in federal matching funds.

The modernization of Hawaii's information systems is pivotal to the department's ability to deliver services and generate increased access among Medicaid beneficiaries. As such, your Committee on Conference agrees with the expenditure of \$2.9 million in general funds to receive \$26.5 million in matching federal funds for a new MedQUEST Division computer-based eligibility system. The new system will help to ease the State's transition into manageable health care and expedite the delivery of services where they are needed most.

Congress enacted the federal Personal Responsibility and Work Opportunity Act in 1996. At that time, the United States government made the decision to no longer extend medical benefits to members of the Compact of Free Association (COFA) and gave individual states the choice to continue Medicaid services to COFA members with the understanding that they would no longer receive federal support for this population. Given Hawaii's unique location and high concentration of COFA migrants, the decision was made to provide COFA migrants the same Medicaid packages offered to similarly situated Hawaii residents.

In 2010, the previous administration attempted to achieve cost savings by moving the COFA population to a limited plan entitled, Basic Health Hawaii, which offered limited visits and reduced the types of services available to COFA beneficiaries. On December 13, 2010, a federal court found this change caused irreparable harm to COFA residents and issued an injunction mandating the State to reenroll all COFA migrants to their original programs, reinstate all benefits, and expedite delivery of services regardless of reenrollment processing.

Your Committee on Conference recognizes the immediate effects of this ruling and accepted the Governor's proposal to appropriate \$13.2 million in general funds to reinstate Medicaid benefits to COFA clients for fiscal year 2011-2012. Additionally, despite the federal government's position that state financed Medicaid benefits to COFA migrants will not be supported with federal dollars, your Committee on Conference believes that the federal court mandate to provide COFA migrants uninterrupted Medicaid benefits may be cause for Congress to reconsider a provision for federal funds. Given the Lieutenant Governor's focus on obtaining federal funds, your Committee on Conference believes this area should be his top priority. As such, Medicaid benefits to COFA clients are reflected as federal expenditures for fiscal year 2012-2013.



Work opportunities and cash assistance for Temporary Assistance for Needy Families (TANF) and Temporary Assistance for Other Needy Families (TAONF) remain priorities in the State's efforts to help Hawaii residents through the economic recession. However, the previous administration's excessive contract expenditures, unfettered spending of ARRA funds, and liberal extensions of cash assistance payments beyond federal guidelines has left the TANF reserve fund insolvent.

Despite your Committee on Conference's forewarning of the inevitable expiration of emergency contingency fund extensions, the department failed to reexamine TANF expenditures and maintain sustainable contract levels when reserve funds were still available. Recently, nonessential contracts amounting to \$33 million were notified of early termination in January of 2011, and emergency appropriations were necessary to meet the department's remaining commitments for the current fiscal year.

The department has implemented the reduction of low priority contracts and has prioritized available funds for important purpose one and two services. These services provide Hawaii's residents with the opportunity to become self-sufficient. As such, your Committee on Conference has provided \$45.2 million for TANF programs and \$12.8 million for TANF and TAONF cash assistance payments over the fiscal biennium.

The dire economic conditions of the last few years increased the amount of Hawaii's residents living below federal poverty levels from five per cent in 2007 to over nine per cent in 2010. Shelters across the State are at capacity and are forced to turn away many of Hawaii's homeless. To support the Governor's efforts to extend services and shelter accommodations to the growing levels of homeless, your Committee on Conference has approved \$1.6 million for shelter support contracts and the addition of three new shelters in Maui, Waianae, and Kona.

In addition, the Preschool Open Doors Program offers TANF recipients a means of providing children with educational opportunities while parents work towards self-sufficiency through state subsidies. Early childhood education plays an integral role in the development of Hawaii's youth, and affordable childcare allows many parents to engage in work opportunities. To support the valuable services the program offers, your Committee on Conference has provided \$1.6 million in subsidy assistance.



By design, TANF block grant resources allow states the flexibility to shift resources and develop innovative programs to achieve desired outcomes. To balance this flexibility and to ensure accountability, your Committee on Conference has crafted reporting requirements to clearly communicate how the programs are achieving their intended purpose.

Health

Your Committee on Conference recognizes the importance of prioritizing health and safety. The Department of Health lost three hundred fifteen positions in the recent RIF. As a result, the programs and their contracted service providers have operated with significantly less resources. This loss is compounded by the anticipated decrease in the FMAP reimbursements that have assisted several programs in this tough economic climate. Mental health and developmental disabilities programs have been hit especially hard by prior budget reductions and will be greatly affected by the impending FMAP decrease. A Child and Adolescent Mental Health Division Program has already closed for lack of funding, leaving Hawaii County with no community-based residential program.

Many other programs are also on the cusp of closing and cannot endure further reductions. The Developmental Disabilities Division has had to impose a fifteen per cent reduction on its service providers, which has caused concern of another federal lawsuit if funding is not ultimately restored. Your Committee on Conference is aware of the dire situation these programs are in and has provided the following support in accordance with corresponding FMAP reductions:

- \$3.3 million for fiscal year 2011-2012 and \$3.4 million for fiscal year 2012-2013 for the Adult Mental Health Division;
- \$2.4 million for fiscal year 2011-2012 and \$2.5 million for fiscal year 2012-2013 for the Child and Adolescent Mental Health Division; and
- \$9.9 million for fiscal year 2011-2012 and \$11.2 million for fiscal year 2012-2013 for the Developmental Disability Division.

The Early Intervention Program also faces a shortfall resulting from a reduction of Medicaid and Tobacco Settlement moneys. The Early Intervention Program provides services to infants and toddlers



under the age of three who have, or are at risk for, developmental delays. Your Committee on Conference also understands that reduced funding will result in tighter eligibility criteria and could put the State in noncompliance with federal requirements. As such, your Committee on Conference has provided \$2.1 million to fund the program's projected deficit.

Education

Your Committee on Conference remains aware of the national embarrassment caused by Furlough Fridays. For the 2009-2010 school year, schools closed seventeen days due to furloughs. While students were able to have a full school year for 2010-2011, furloughs are still taken on non-instructional days and twelve-month employees have thirteen furlough days. Your Committee on Conference expects that the furlough restoration will allow the continuation of the current level of instructional school days at public schools.

In July 2010, the Department of Health terminated providing direct services for eligible special needs students due to budget restrictions. Recognizing the importance of offering these services, Your Committee on Conference supports the department's request to add \$2.1 million to sustain the level of contracted nursing services for the Individuals with Disabilities Education Act and Section 504 eligible students. Additionally, your Committee on Conference has approved the conversion of forty educational assistants from temporary to permanent status to alleviate the high turnover rate habitually associated with these positions.

Your Committee on Conference also added three positions to aid the department in internal audits and investigation. Your Committee on Conference hopes that the department will work with the newly appointed Board of Education to identify troublesome issues and provide viable solutions.

While agreeing with some of the department's budget recommendations, your Committee on Conference remains concerned by the significant student transportation contract costs reflected in the department's budget request. The estimated cost to provide student transportation has risen to about \$1,000 per regular education rider; whereas, the approximate general fund cost to educate a student is about \$5,500.

Furthermore, the appropriation has not covered the actual costs of transportation for several years. Even with continued requests from the Legislature to the department to address the exorbitant



contract costs, the department has allowed the student transportation program to run at a significant deficit, simply utilizing funds from other sources rather than make concerted efforts to bring down costs.

Equally troubling is the fact that competition for bus contracts is practically negligible: once a company receives the contract for a route, other companies will not typically compete for that contract resulting with a situation whereby the State pays the only submitted bid price. Your Committee on Conference feels that a thorough evaluation of the student transportation program is necessary.

As such, your Committee on Conference does not support the department's request for student transportation contract costs for fiscal year 2012-2013. Your Committee on Conference has disapproved the requested \$19.6 million and has further reduced the department's transportation budget by an additional \$20 million for these costs. The remaining appropriation for fiscal year 2012-2013 will allow for the continuation of mandated transportation for qualifying special education students. Your Committee on Conference requests that the department complete a comprehensive alternatives analysis to assess various options and evaluate needed service levels to provide meaningful data to address this issue.

It is the intent of your Committee on Conference for the Legislature to revisit this issue once the department provides sufficient justification for transportation services.

While your Committee on Conference acknowledges the department's statutory authority to transfer funds between programs, this authority was granted to the department to provide a certain level of flexibility to cope with pressing issues, not to allow it to circumvent the Legislature's authority to allocate resources. Your Committee on Conference expects that, prospectively, the department will submit requests to the Legislature to appropriate or reallocate resources where they are needed, especially when transferring resources from schools (EDN 100 and EDN 150) to administrative offices (EDN 200 and EDN 300).

Charter Schools

Your Committee on Conference continues to support comparable funding for charter school students. Although your Committee on Conference understands that charter schools are allowed to operate independently, your Committee on Conference continues to have



considerable concerns, especially with how these schools utilize state funds.

Over-projection of enrollment numbers has historically been an issue. The Legislature attempted to counteract the frequent over-projection of enrollment numbers by establishing a charter schools account within the state treasury where any appropriation amount exceeding the verified enrollment amount would be held. As of the current fiscal year, \$3.5 million has already gone into the account since the projected enrollment count originally provided by charter schools exceeded actual enrollment by nine hundred twenty-eight students. Currently, the Charter School Administrative Office asks the various charter schools to provide a projected enrollment count without confirming whether certain numbers are realistic. Your Committee on Conference advises that the charter schools develop a more consistent method of verifying the projected enrollment counts provided by the individual charter schools.

Your Committee on Conference finds recent events and revelations regarding the Myron B. Thompson Academy troubling. While the progress of the charter school, their local school board, and the charter school review panel is commendable, further improvements can be achieved. The expectation of your Committee on Conference for charter schools is that, while charter school operations may be exempt from certain state laws, they are still accountable for the quality of the education provided to their students and for the responsible use and diligent oversight of state funds.

University of Hawaii

Your Committee on Conference recognizes the University of Hawaii as the State's premier institution for higher learning, a leading generator of economic growth and diversification, and a tremendous resource for the State of Hawaii. The university has managed significant budget reductions through enrollment management, offering fewer classes at certain campuses, enlarging the size of classes, hiring lecturers to fill instructional positions, and closing campuses during winter and spring breaks.

Your Committee on Conference notes that the current budget request for the collective bargaining costs for the University of Hawaii Professional Assembly (UHPA) are its first opportunity to consider the agreement. Although, your Committee on Conference believes the negotiated collective bargaining agreement may be overly generous, given the larger fiscal context and the State's



need to achieve labor savings and other state collective bargaining agreements, your Committee on Conference has provided the university with the ability to fund its labor contracts with its special funds.

The current collective bargaining agreement with UHPA calls for the restoration of original salaries on July 1, 2011. Your Committee on Conference believes the university is fully responsible for funding these costs. Accordingly, your Committee on Conference has changed the means of financing for \$14 million in general funds to special funds. Further, the "pay back" of salary reductions implemented for the current fiscal biennium results in an additional public employer cost of \$1.6 million for fringe benefits for university employees. Your Committee on Conference intends that the university pay for these fringe benefits through the use of its special funds and executed a similar reduction in its general fund allocation.

As the Twenty-fifth Legislature determined, your Committee on Conference finds that the University of Hawaii should not request that cost items associated with its six-year collective bargaining contract with UHPA be supported by general funds. Clearly, the actions of this Legislature do not diminish the authority of future legislatures to appropriate or withhold resources. As such, your Committee on Conference encourages the Twenty-seventh Legislature to further review the appropriateness of the UHPA contract and determine whether its cost items should be approved.

Your Committee on Conference understands the University of Hawaii Community Colleges have experienced an unprecedented enrollment growth of thirty-five per cent, while enrollment at the University of Hawaii Hilo has increased by nineteen per cent. In order to meet the increased student demand, your Committee on Conference has provided \$6.6 million for the University of Hawaii Community Colleges and \$300,000 for University of Hawaii Hilo to ensure they are able to maintain services and sustain course offerings.

Your Committee on Conference recognizes the importance of the John A. Burns School of Medicine in teaching and training high-quality physicians, biomedical scientists, and allied health workers for Hawaii. To better identify costs associated with this program, your Committee on Conference has transferred 198.22 positions and \$34.9 million to a separate John A. Burns School of Medicine program ID.



Budget and Finance

Fixed costs such as debt service, retirement system, and health benefit payments comprise one-third of the total State's general fund budget. These components require annual increases based upon assumptions for interest rates, payroll growth, and membership growth, all of which are beyond your Committee on Conference's control.

The previous administration restructured debt service to provide immediate savings in prior years. However, this action simply pushed costs into current and future years. Your Committee on Conference must provide additional funding to meet higher debt service requirements that have resulted from the prior administration's actions.

The State's contribution to health benefit premiums is determined through collective bargaining. The current Governor's Message requests are based on a 60/40 per cent (employer/employee) split and incorporate rates from the December 2010 bargaining unit agreement. In March of 2011, health benefits premiums increased by approximately eleven per cent. Your Committee on Conference has agreed to fund this increase; however, your Committee on Conference has adjusted the amount so that employees share this burden equally with the State.

The Department of Budget and Finance struggles to provide even the basic fiscal and administrative services for the State due to a thirty-three per cent position reduction in the Administrative and Research Office and a thirty-six per cent position reduction in the Budget, Program Planning and Management Division. The Treasury Management Branch has likewise had to manage operations with reduced resources. Treasury deposit receipt processing increased from one-day processing to twenty-nine days and treasury investment pool processing increased from a standard processing time of two months to six months. Your Committee on Conference recognizes that the department's current staffing level is not operationally sustainable and has restored needed positions and funding.

Additionally, a combination of a hiring freeze and prior budget reductions has left the Hawaii Employer-Union Health Benefits Trust Fund (Trust Fund) severely backlogged. In December 2010, staff was unable to answer 1,389 incoming calls and had 2,135 unprocessed documents resulting in employees and dependents being unable to go to the doctor or fill prescriptions. The Trust Fund is also in the process of transitioning-in fifteen thousand Hawaii State Teachers



Association members and is in need of additional personnel. Your Committee on Conference is dedicated to ensuring that core services are provided and has added positions and funds to alleviate the backlog for a smooth transition of Hawaii State Teachers Association members.

The Legislature enacted Act 177, Session Laws Hawaii 2007, which authorized the restructuring and relocation of the Public Utilities Commission (Commission) due to increased responsibilities in energy policy reform. In addition, the Legislature authorized and funded additional positions for this purpose. The Commission requested over \$5 million for the renovation and lease of commercial space. However, your Committee on Conference has learned of sufficient state-owned space that could be utilized for the Commission and has provided \$250,000 for office space renovation. Your Committee on Conference encourages the Commission to work with the Department of Accounting and General Services to obtain state-owned space and provide much needed savings to the State.

The Commission also requested eleven positions pursuant to Act 177 that will enhance the Commission's research capabilities and ability to adapt to changing market environments. Your Committee on Conference recognizes the importance of these positions to address significant policy issues facing the State and has provided the requested positions.

In light of both House and Senate hearings that uncovered several instances of the mishandling of money by state agencies, your Committee on Conference sees value in hiring a third-party consultant to review the policies and procedures of the state treasury and to provide investment advice. In an effort to support this initiative, your Committee on Conference has provided funding for this purpose.

Public Safety

Your Committee on Conference continues to support the recent efforts of the Department of Public Safety to provide secure incarceration for offenders and protection for the State's general population.

The department has faced hiring delays and the inability to fill positions and posts for the operation of a twenty-four-hour facility, which has required it to pull personnel from various posts to staff facilities such as the Kapolei court complex. As such, your Committee on Conference has provided the following:



- Fourteen deputy sheriff positions to staff the Kapolei court complex; and
- \$131,377 for six adult corrections officer positions in the Hawaii Community Correctional Center.

The level of staffing the Sheriff Division currently provides to neighbor island courts remains a concern. Your Committee on Conference encourages the department to increase efforts to recruit positions for neighbor islands where staffing levels are currently at minimal levels.

Your Committee on Conference appreciates the department's efforts to reduce high overtime costs through the utilization of a program that increases accountability and imposes consequences on habitual abusers. For fiscal year 2011-2012, \$3.5 million is budgeted to continue these efforts. Your Committee on Conference notes that this amount represents a reduction from an actual expenditure of \$6.8 million in fiscal year 2009-2010. Your Committee on Conference hopes to see continued overtime reduction in the future.

Your Committee on Conference recognizes the department's commitment to honor the intent of the Governor to return inmates home from out-of-state facilities, thereby reducing the amount of public dollars sent out of Hawaii. The department noted that a long-term plan for returning inmates is scheduled to be completed by December 2011.

However, your Committee on Conference is concerned that despite prodding from the State Auditor, the previous administration did not take a more proactive and timely approach to procure a new contract for out-of-state facilities that will house Hawaii inmates. Without more time allotted for planning and execution, the best procurement practices may not be adequately carried out, thus decreasing potential savings for the State. Your Committee on Conference looks forward to receiving more information and having timely status updates from the department on this important matter.

Land and Natural Resources

Since 2009, general funds for the Department of Land and Natural Resources have been reduced by twenty-eight per cent. General fund costs were shifted to federal or special funds wherever possible; however, special fund revenues have not increased to



adjust for the additional burden. Furthermore, general funds are necessary to provide core activities such as law enforcement, permitting, and regulatory oversight when statutory or program restrictions are placed on the use of non-general funds.

The department began implementing fees at many state parks and facilities to offset costs. However, the Division of Conservation and Resources Enforcement (DOCARE) relies almost entirely on general funds. DOCARE has handled budgetary and personnel reductions by drastically reducing services. Patrols are no longer twenty-four hours/seven days a week and have been reduced by twenty per cent. Coverage area has decreased by thirty per cent and enforcement actions, such as arrests, citations, investigations, and inspections, are down by an average of thirty-four per cent. Your Committee on Conference realizes that protecting Hawaii's natural resources is an immense task and the safety of conservation officers is a top priority. As such, your Committee on Conference has provided \$250,000 to properly equip officers who are protecting our State's natural resources.

In light of damage inflicted on Keahi Harbor by the March 11, 2011 tsunami, your Committee on Conference has provided \$475,000 to the department to clear the harbor of sunken boats and debris.

The State Historic Preservation Division has been identified as a high risk grantee by the National Park Service and is at risk of losing its federal grant, which comprises thirty per cent of the division's budget. Without federal approval, the State Historic Preservation Division will not be authorized to conduct preservation efforts at national historic sites, nor will it be able to properly inspect project sites. This may have significant impact on the ability to implement construction projects. Your Committee on Conference understands that protecting the State's unique history is important. To this end, your Committee on Conference has restored seven positions to the State Historic Preservation. A portion of this addition will reinstate the Burial Sites Program previously absorbed by the Culture and History Branch in 2006.

Agriculture

Your Committee on Conference recognizes agriculture as an important component of Hawaii's economy. The forty-four per cent general fund reduction made in fiscal year 2009-2010 negatively impacted the Department of Agriculture and resulted in the delay of services and discontinuation of several functions. Your Committee on Conference is dedicated to promoting self-sufficiency, conserving



resources, and preventing the introduction of invasive species in our State.

As of January 2011, additional retirements have left the Honolulu International Airport, which accounts for ninety-five per cent of the statewide airport system, with only five to seven plant quarantine inspectors daily. If this trend continues, it is estimated that about ninety per cent of the invasive species will avoid interception and pose a major threat to our State. Your Committee on Conference anticipates the lifting of the hiring freeze to fill the twenty-two plant quarantine inspector positions restored by the Legislature last year in the Plant, Pest and Disease Control program and fifteen additional positions throughout the department determined to be essential to operations. As such, your Committee on Conference has shielded the Department of Agriculture from reductions to enable adequate funding for these important positions.

Finally, your Committee on Conference continues to support the efforts to reduce general fund costs in these challenging economic times by changing the means of financing for twelve positions from general funds to special funds.

Business, Economic Development, and Tourism

The Department of Business, Economic Development, and Tourism is at the forefront of Hawaii's economic recovery. The department provides important services to the State's trade operations and adds to the collective wealth of Hawaii by stimulating local businesses and emerging industries through grant support, research and analysis, and investment opportunities.

The energy industry achieved significant growth and garnered a great deal of attention in recent years. As the nation worked to transition to renewable energy, Hawaii emerged as a model for several states on the implementation of exemplary energy programs. The program's successful solicitation of over \$59 million ARRA energy grants over the last biennium encourages the industry's growth and helps perpetuate Hawaii's commitment to achieve clean energy solutions.

Your Committee on Conference remains dedicated in its support of state energy projects and the advances the department has made in working towards the State's goal of seventy per cent clean energy and forty per cent renewable energy by 2030. In order to maintain State support in the growing industry and mitigate the loss of grant moneys, your Committee on Conference approved financing critical



energy personnel through the Energy Security Special fund. However, the approaching expiration of federal energy grants for fiscal year 2011-2012 will result in a \$8.5 million reduction in the funds available to energy programs. As such, the department should be cautious of imprudent spending and engage in regular assessments of the energy program's needs. Your Committee on Conference encourages the department to budget appropriately and develop feasible expenditure plans for the upcoming fiscal biennium.

Aerospace is another industry that has received considerable national attention as a means of pioneering economic growth. As a state, Hawaii has been identified by the National Aeronautics and Space Administration as an ideal location for aerospace research and the development of next-generation space travel. Unfortunately, despite this recognition, the aerospace program within the department's Energy, Environment, and Aerospace division has been unable to participate in investment ventures due to limited funds and the division's emphasis on clean energy initiatives. In an effort to capture the growth potential of both the energy and aerospace industries, your Committee on Conference has created a new program for the Office of Aerospace, independent of Energy and Environment, thus allowing each division to focus on their unique industry needs.

With regard to organizational structure, your Committee on Conference notes that the department has a history of reorganizing its staff through the budget. This practice is demonstrative of the previous administration's penchant to employ questionable reorganization procedures that may have contributed to a number of grievances. As such, your Committee on Conference has rejected the department's request for those internal transfers that have not been adequately justified. Your Committee on Conference finds that the department should perform a comprehensive review of its operations and adopt a formal reorganization plan prior to submitting conforming requests through the budget process.

Taxation

From fiscal years 2008 to 2011, the Department of Taxation has faced reductions amounting to \$5.3 million and 43.5 positions. As a result, the quality of service provided to the public has suffered, including increased wait time for walk-in customers, delayed response to taxpayers under audit, and a forty-nine per cent reduction in call center pick-up rate.



Your Committee on Conference understands the increasing needs of the department resulting from the impending transition away from the consulting services of CGI Technologies and Solutions, Inc., while continuing to emphasize modernization and paperless practices. Therefore, your Committee on Conference has authorized the creation of nine information technology positions and has provided \$640,628 for fiscal year 2011-2012 and \$531,458 for fiscal year 2012-2013 to assist the department's modernization plan and the transition of programs performed by CGI to the department.

Every five years, by mandate of the Hawaii Constitution, a Tax Review Commission is created to review the State's tax structure and recommend revenue and tax policy. As such, your Committee on Conference has provided \$200,000 for the Commission to carry out its appointed duties.

Your Committee on Conference also recognizes that, in the current economic environment, finding new ways to generate revenue is a necessity. Therefore, your Committee on Conference has provided \$185,000 for the department to contract the services of the Multistate Tax Commission as another source of potential revenue.

Commerce and Consumer Affairs

The Division of Consumer Advocacy, Department of Commerce and Consumer Affairs, represents consumers before the Public Utilities Commission, which regulates rates and services offered by public utility and transportation companies. Eight positions under this office were reduced for vacancy savings in fiscal year 2009-2010. Act 130, Session Laws of Hawaii 2010, appropriated \$634,000 out of the Compliance Resolution Fund for fiscal year 2010-2011 to reinstate these positions. Your Committee on Conference has approved continued funding of these positions. In addition, your Committee on Conference has provided \$200,000 for consultant services regarding utility, communication, and transportation services.

Your Committee on Conference has provided the department with the spending authority to fully reimburse the Department of the Attorney General for the value of legal services received, which is estimated to be \$600,000. The funds will be transferred to the Department of the Attorney General.



Attorney General

Your Committee on Conference recognizes the importance of the Department of the Attorney General in its role as legal counsel for the State of Hawaii. Decreases in personnel and working hours have resulted in delayed responses to client agencies. In addition, reductions to the litigation fund have negatively impacted the department's ability to effectively fund expert witnesses, which has affected the credibility and quality of the legal representation the State receives in court proceedings.

Your Committee on Conference is committed to saving general funds by using non-general funds wherever applicable. As such, the Legal Services Division's general fund budget was reduced by using interdepartmental transfers to fund services provided to other departments. The department will be reimbursed as follows:

- The Department of Human Services has agreed to fund two deputies and one temporary deputy for a total of \$324,223;
- The Department of Education has agreed to fund two deputies for \$172,360, in exchange for the Department of the Attorney General funding one deputy at \$87,500; and
- \$220,000 from the Department of Commerce and Consumer Affairs to adjust for a new memorandum of understanding reimbursing the department for services totaling \$600,000.

These transfers save the State \$544,223 in general funds, as the Department of Human Services will be federally reimbursed and the Department of Commerce and Consumer Affairs is special funded through its compliance resolution fund.

Accounting and General Services

Your Committee on Conference recognizes the Department of Accounting and General Services' efforts to achieve its objectives despite severe personnel reductions. The department has adjusted schedules, work locations, and assignments in order to meet vital operating needs. Information and Communication Services Division personnel were decreased by thirty-six per cent over the past fiscal biennium and sustaining production capabilities is rapidly becoming a crisis.



Your Committee on Conference understands the importance of the Information and Communication Services Division to other executive departments and has restored eleven positions to help bring the division's data center back to twenty-four hours/seven days a week operations. With this addition, executive departments can begin to reduce their work backlog and improve services.

Although consumption levels of electricity, water, and sewage fell significantly in fiscal year 2010-2011, rates for these utilities have again increased. In an effort to alleviate these growing costs, your Committee on Conference has provided \$1,505,083 for fiscal year 2011-2012 and \$905,083 for fiscal year 2012-2013. However, your Committee on Conference encourages all departments to find savings in this area.

Your Committee on Conference is concerned over the procurement practices of state agencies. As such, your Committee on Conference has authorized and provided funding for five positions to the State Procurement Office. Among those positions are four purchasing specialists, which will enable the State to award and maintain additional contracts in a timely and efficient manner.

Transportation

Your Committee on Conference supports the Department of Transportation in its oversight and maintenance of the State's airports, harbors, and highways.

Significant reductions for both fiscal year 2009-2010 and 2010-2011 deferred scheduled maintenance projects in the department's Harbors and Highways Divisions. Your Committee on Conference recognizes that deferred maintenance in these areas compounds the eventual cost of repair. As such, your Committee on Conference has approved an increase in the Highways Division authority to utilize special funds in the amount of \$22.2 million for fiscal year 2011-2012 and \$58.4 million for fiscal year 2012-2013 for special maintenance projects across the State.

Your Committee on Conference understands the desire of the department to consolidate the highway programs of Maui, Lanai, and Molokai into a single program. As such, your Committee on Conference has approved the department's request to consolidate these highway programs into a single program. This will reduce administrative overhead and facilitate the transfer of funds between the islands.



Defense

As one of its guiding principles, your Committee on Conference recognizes the importance of maximizing federal funds. Accordingly, your Committee on Conference has provided \$369,101 in general funds that will net \$3.9 million in matching federal funds for fiscal year 2011-2012 and has provided \$418,202 in general funds with a \$763,201 federal funds-match for fiscal year 2012-2013. These funds will assist the juvenile justice and delinquency prevention program in delivering services, sustaining quality members in the Hawaii National Guard Youth Challenge Academy, and sufficiently staffing the emergency operating center for the State Civil Defense Division.

The State Civil Defense Division provides important emergency services to the State, including the coordination of private and public authorities, planning and mobilizing rapid response services and recovery efforts, and restoring essential public services. As such, your Committee on Conference has provided \$109,101 for fiscal year 2011-2012 and \$218,201 for fiscal year 2012-2013.

Your Committee on Conference also recognizes the valuable service and contribution of Hawaii's veterans. In light of these contributions, your Committee on Conference has provided \$634,491 for fiscal year 2011-2012 and \$3.2 million for fiscal year 2012-2013, which will be fully federally reimbursed, for repair and maintenance on all veterans' cemeteries statewide.

Labor

Your Committee on Conference finds that lack of employer confidence has kept unemployment levels at record highs. On December 17, 2010, President Obama signed the Tax Relief, Unemployment Insurance Reauthorization Act, which extended the Emergency Unemployment Compensation Program through January 3, 2012. This law will allocate \$262.2 million in federal funds to the State and will benefit nearly eighteen thousand of Hawaii's unemployed. Your Committee on Conference recognizes the augmented hardship of long-term unemployment in already difficult times and is supportive of the Department of Labor and Industrial Relations' efforts in garnering federal support to assist the State's displaced workforce.

Your Committee on Conference has ensured the continued viability of the Hawaii Occupational Safety and Health Division (HIOSH). The State's Occupational Safety and Health program has been in danger of decertification by the federal Occupational Safety and Health Administration. Decertification can result in loss of



the program. If this were to happen, state and county workers may have less protection from certain health and safety laws. The requests approved by your Committee on Conference constitute the best possible solution to HIOSH's problems, given the circumstances.

Hawaiian Home Lands

Your Committee on Conference supports the Department of Hawaiian Home Lands' efforts to consolidate its programs. Your Committee on Conference has approved the department's request to consolidate the Management and General Support for Hawaiian Homesteads Program with the Planning and Development for Hawaiian Homesteads Program. Combining these programs will increase efficiency and the ability to distribute workloads as needed to assist the department's objective of placing native Hawaiians on Hawaiian Home Lands.

Your Committee on Conference recognizes that Act 14, Special Session Laws of Hawaii 1995, settled all claims made on behalf of the Hawaiian Home Lands Trust against the State between August 21, 1959, and July 1, 1988. The final \$30 million annual deposit will be received in 2014. Your Committee on Conference is concerned that the department has not provided a financial report that outlines its proposal to cope with discontinuation of the settlement funds. Your Committee on Conference believes that the six-year report should account for the drop off in funding and detail the department's plan to ensure that the department is able to meet its long-term objectives.

VI. CAPITAL IMPROVEMENTS PROGRAM

Your Committee on Conference finds that well-maintained physical infrastructure and state facilities are essential to maintaining a positive business climate and a strong economic foundation, which will ultimately help to support the State's ability to navigate through the current, and any future, precarious economic conditions. Your Committee on Conference further finds that to combat the effects of the current recession and experience positive growth, the continued investment in our economy by various means is necessary. Investment in infrastructure and facilities is crucial for short-term economic growth and job creation.

Your Committee on Conference also finds that the need to invest in local infrastructure to help stimulate direct and indirect job creation is highly critical at this time. Expediency in the



creation and maintenance of local construction jobs, as well jobs for architects, engineers, and other consultants associated with capital projects, will generate more disposable income, which will in turn circulate throughout our economy.

The impact of new bond issuances was of primary concern to your Committee on Conference, especially in light of the refinancing of general obligation bonds in 2009, which will result in substantial increases to debt service payments beginning in fiscal year 2015-2016. Further compounding this problem is that, because of an error in the accounting of general obligation bond authorizations for state education facilities improvement (SEFI) special funds, an additional \$390,000,000 needs to be appropriated for fiscal year 2011-2012 to ensure that sufficient resources will be available to cover contractual obligations that are currently encumbered.

While your Committee on Conference understands from both accounting and legal perspectives that the amount of general obligation bonds authorized and issued must equal the amount of SEFI funds appropriated and expended, the current problem the \$390 million is intended to fix is a manifestation of a larger, systemic problem with SEFI's financing mechanism that requires further evaluation and deliberation.

In exercising fiscal conservatism, your Committee on Conference has reevaluated the funding for prior appropriated executive budget projects and, as a result, has lapsed funding for several projects in the amount of \$27,144,640. These lapses represent unrequired balances for completed projects, funds for which the administration has denied allotment for various reasons, funds that the departments have indicated are otherwise unnecessary, insufficient, or for projects that are unlikely to be undertaken within the necessary timeframe to avoid standard lapsing, and funds that do not demonstrate the current priorities of the State.

Your Committee on Conference prioritized all general obligation/general obligation reimbursable bond-funded projects and recommended those deemed essential for health and safety and those that were identified as "shovel-ready" for immediate implementation. It was felt that these projects would fulfill the dual functions of protecting the public welfare while providing instantaneous stimulus to the State's economy.

The largest areas funded in this budget (all means of financing) are:



- (1) \$816,166,000 for the Department of Transportation (airports, highways, and harbors);
- (2) \$328,009,000 for the Department of Education, public charter schools, and public libraries;
- (3) \$174,195,000 for the University of Hawaii System; and
- (4) \$148,847,000 for the Department of Health and Hawaii Health Systems Corporation.

In addition, your Committee on Conference appropriated \$7,800,000 to repair and reconstruct infrastructure damaged by the tsunami that struck the State on March 11, 2011.

Lastly, your Committee on Conference appropriated \$20,000,000 for fiscal year 2011-2012 for grants to nonprofit organizations for facilities improvement and expansion. Continuation of the additional services provided to state residents by these nonprofit organizations is vital, especially given that the State may be forced to reduce services due to the current economic climate.

VII. CONCLUSION

This budget is a major component of the solution to the severe financial situation facing the State. The Governor, the House of Representatives, and the Senate each presented proposals that assisted the open, honest, and collaborative discourse that has occurred this legislative session and represents decisions that will best move the State through these difficult times. Through hard work and cooperation, your Committee on Conference has amended this legislation to provide an appropriate allocation for core services in light of the State's fiscal situation.

In total, this budget appropriates \$5,443,934,015 in general funds and \$11,050,795,327 in all means of financing for fiscal year 2011-2012 and \$5,556,181,624 in general funds and \$10,919,085,554 in all means of financing for fiscal year 2012-2013. These figures represent reductions of \$259,811,507 in general funds and \$310,023,757 in all means of financing for fiscal year 2011-2012 and \$358,774,039 in general funds and \$403,044,203 in all means of financing for fiscal year 2012-2013 to the Governor's budget request.



Finally, your Committee on Conference has made numerous technical, nonsubstantive amendments for the purposes of style, clarity, and consistency.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 200, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 200, H.D. 1, S.D. 1, C.D. 1.

Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE



DAVID Y. IGE, Chair



MARCUS R. OSHIRO, Chair



