

## **Council on Revenues**

The Council on Revenues, established by §37-111, HRS, is a panel that prepares revenue estimates for State government for each fiscal year of the six-year State program and financial plan. The Council consists of seven members, three appointed by the Governor for four-year terms and four appointed by the Senate President and House Speaker to two-year terms. The Council issues quarterly revenue forecasts no later than June 1, September 10, January 10, and March 15 of each year. Estimates are considered by the governor in preparing and executing the state budget, and by the legislature in appropriating funds and enacting revenue measures.

The Council testified that at its December 29, 2010, meeting, the members adopted a slight revision to the forecast from 2% to 3% nominal revenue growth in the current 2011 fiscal year. Among several economic factors influencing the Council's revision, the strong rise in total visitor arrivals during the current fiscal year was the predominant qualitative change from the Council's recent prior forecasts. The Council kept its revenue growth forecast for fiscal years 2012 through 2017. The 1% increase in revenue growth amounts to approximately \$45.6 million in additional revenues.

To view the presentations:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_01-03-11\\_WAM-FIN\\_AM\\_COR.PDF](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_01-03-11_WAM-FIN_AM_COR.PDF)

## **State Financial Plan and Biennium Budget**

The Department of Budget and Finance testified on behalf of the Abercrombie Administration that the State has a projected budget deficit of \$71.6 million for fiscal year 2011, and \$771.9 million for fiscal years 2012-2013. The department based its projections using figures from the Lingle Administration. The department testified that currently, the Abercrombie Administration is working on developing a revised budget and balanced financial plan. In the revised plan the administration hopes to restore some of the previous budget cuts in order to address program deficiencies. It also hopes to address the funding shortfalls in the Temporary Assistance to Needy Families (TANF) and Medicaid programs, maximize non-general fund opportunities, and support administration and departmental priorities.

The planned timetable for submitting the budget messages representing this new plan is early to mid-March. This is later than normal in the legislative timetable, but the administration asks for patience and indulgence as the new department directors and the administration evaluates and prioritizes requests from all affected parties.

For a more in-depth summary of what is contained in the base Executive budget, please refer to "The FB 2011-13 Executive Biennium Budget, Budget in Brief" that is available on Budget and Finance's website at: <http://hawaii.gov/budget/bienniumbudget/budgetinbrief>

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM-FIN\\_01-04-11\\_AM\\_BUDGET.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM-FIN_01-04-11_AM_BUDGET.pdf)

### **The Judiciary**

The Judiciary's mission, as the third branch of State government, is to administer justice in an impartial, efficient, and accessible manner in accordance with the law. The Judiciary testified that the economic slowdown has adversely affected the Judiciary's ability to provide complete and timely services to the public. The Judiciary has eliminated over 600,000 staff hours through furloughs and testified that further budget cuts would increase costs to the prison, welfare, law enforcement, social services, and judicial communities, and reductions in these services would have an enormous impact on community safety, crime, child abuse, and neglect by repeat offenders.

For fiscal biennium the Judiciary proposed additions, which include funding to restore employee furloughs, judges' salary adjustments, and a request of 4 positions to assume the adult community service sentencing duties from the Department of Public Safety.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM-FIN\\_01-04-11\\_AM\\_JUD.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM-FIN_01-04-11_AM_JUD.pdf)

### **Counties**

Mayor Peter Carlisle of Honolulu, Mayor Bernard Carvalho of Kaua'i, Mayor Alan Arakawa of Maui, and Mayor William Kenoi of Hawai'i presented budget testimonies on behalf of their individual counties. Derek Kawakami also presented the budget testimony for the Hawai'i State Association of Counties (HSAC). Each of the mayors testified to the importance of the Transient Accommodations Tax (TAT), commonly referred to as the hotel room tax, as an integral part of the counties' base budgets and asked that legislators support the status quo and continue to divide the TAT among the State and Counties under the current formula. County projects of interest included a regional park in Central Maui and a Kapiolani Street extension that will open up area for UH Hilo student housing. All county mayors also declared their support for bills that HSAC will be putting forth this legislative session.

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_FIN-WAM\\_01-12-11\\_AM\\_COUNTY.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_FIN-WAM_01-12-11_AM_COUNTY.pdf)

### **Department of Education**

The Hawaii Department of Education, in partnership with the family and the community, is committed to having public school graduates achieve the General Learner Outcomes and content and performance standards in order to realize individual goals and aspirations. This ensures that all graduates will be fully prepared for post-secondary education and/or careers and their roles as responsible citizens. Current economic and fiscal conditions have led to reductions in force, furloughs, program eliminations and reductions, and the need for reorganization.

For fiscal biennium 2011-2013, the Department of Education has proposed minor reductions through ceiling request changes. The department has requested \$86 million of general funds to reflect the amount of furlough restoration and \$43 million of general funds to reflect the restoration of the Legislative reduction to the American Recovery and Reinvestment Act (ARRA) funds. If appropriated additional funding, the department will use funds to address the student transportation shortfall, the need for nursing services previously provided by the Department of Health, and the development of a new Enterprise Resource Planning system to replace the current financial management system.

To view the presentations:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-05-11\\_PM\\_DOE.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-05-11_PM_DOE.pdf)

#### **University of Hawaii**

The University of Hawai'i System's mission is to provide environments in which faculty and students can discover, examine critically, preserve and transmit the knowledge, wisdom, and values that will help ensure the survival of the present and future generations with improvement in the quality of life. The University testified that current economic and fiscal conditions have led to executive, faculty and staff wage cuts, enrollment management, fewer classes at certain campuses, larger class sizes, deferred hiring, campus closures during winter and spring breaks, deferral of spending, and the use of tuitions and other non-general funds while the University had an all-time high enrollment exceeding 60,000 students in Fall 2010.

The University proposed reductions of \$22,985,000 in both fiscal years 2012 and 2013 comprised of Federal Stimulus Funds, College of Pharmacy Equipment, and NSF Grant Funds. It also proposed additions totaling \$63,664,167 for fiscal year 2012 and \$76,411,458 for fiscal year 2013 for restoration of furlough savings, collective bargaining, and the Capital Improvements Assessment Fund. The University also has a long list of priorities should they be given additional funding.

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-12-11\\_PM\\_UH.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-12-11_PM_UH.pdf)

#### **Office of Hawaiian Affairs**

The Office of Hawaiian Affairs' mission is to mālama (protect) Hawai'i's people, environmental resources, and the agency's assets. The agency seeks to ensure the perpetuation of the culture, the enhancement of lifestyle, and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation. Current economic and fiscal conditions have increased the demand for Native Hawaiian services by almost 30% since the start of the economic downturn. The agency's social, legal, and educational services and programs have been negatively affected by the decrease in available trust funds due to the under-performance of its investment portfolio, continued legal challenges, and State budget cuts.

The agency proposes no new reductions or additions for their biennium budget which appropriates \$8.28 million for each of the fiscal years 2012 and 2013. The agency implemented internal reductions which eliminated 10 management positions and 12 positions overall. The reduction resulted in a total savings of \$2 million for fiscal years 2010 and 2011.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-06-11\\_AM\\_OHA.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-06-11_AM_OHA.pdf)

#### **Department of Accounting and General Services**

The Department of Accounting and General Services' mission is to help other state agencies better serve the public by providing and/or maintaining public facilities, technological services, operational support, fiscal guidance and oversight of administrative services.

Due to the struggling economy, cutbacks have led to the elimination of many positions as well as many vacancies in all agencies of the department, with the hardest hit being the Information Communication Services Division (ICSD). In addition to personnel cutbacks, the department was also unable to make critical updates to hardware, software, and infrastructure improvements.

The department's main requests this biennium is the restoration of 36 permanent and 1 temporary positions to ISCD, as well as numerous upgrades or replacements of existing hardware and software. With these additions, in particular the increase in personnel, the department believes it will be able to operate at maximum operational capacity to better serve the state.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-04-11\\_PM\\_DAGS.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-04-11_PM_DAGS.pdf)

#### **Department of Budget & Finance:**

The Department of Budget and Finance's mission is to enhance long-term productivity and efficiency in government operations by providing quality budget and financial services that allocate and effectively manage available resources. Given the current budget status, the department's operating budget request adjusts fixed costs and includes the most critical requirements for the long term sustainability of the department's core programs and attached agencies. The department's prioritization of budget requests for special and trust fund programs reflects support of activities that are income enhancing, statutorily mandated, and energy related initiatives.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-06-11\\_PM\\_B&F.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-06-11_PM_B&F.pdf)

#### **Department of Business, Economic Development and Tourism Summary**

The mission of the Department of Business, Economic Development and Tourism is to achieve a Hawaii economy that incorporates innovation, and is productive and active to compete globally, while making available opportunities for all of the citizens of Hawaii. Specifically, the department will assist within the areas of renewable energy, logical data and business export, as well as community development, reasonable housing, and job growth. In support of the Governor's New Day plan, the department will work collaboratively with the legislature as well as the private sector and community to help implement these plans.

The department stated that it has been working diligently to draw upon federal money to fund vital programs, and it looks forward to working with the legislature to reorganize and reprioritize operations in order to build stability and confidence within the department, while continuing to explore revenue generating projects such as those aimed towards tourism, creative media and energy.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-05-11\\_AM\\_DBEDT.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-05-11_AM_DBEDT.pdf)

#### **Department of Commerce and Consumer Affairs**

The mission of the Department of Commerce and Consumer Affairs is to sustain fairness and confidence in the market place, encourage sound consumer practices and improve education, opportunity, and integrity in our community. As a result of the economic slowdown, the department processed an increase in complaints over the last fiscal year, up 1,989 from 1,840 and dispositions up 2,606 from 2,234, which placed a strain on staffing. The department is seeking to fill vacancies that were agreed upon by the previous administration as well as seeking the approval for positions that were not approved.

The department is self-sufficient and is funded entirely by special funds or trust funds. Aside from the restoration of furlough savings, the major additions to the department's proposed biennium budget include the addition of personnel to handle the increased service demands and raise the fund ceilings for four programs. The department is also proposing to reduce its cable television non-recurring program costs by \$4 million for each of the biennium years,

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/hearingnotices/HEARING\\_WAM\\_01-10-11\\_AM\\_INFO\\_.HTM](http://www.capitol.hawaii.gov/session2011/hearingnotices/HEARING_WAM_01-10-11_AM_INFO_.HTM)

### **The Department of Defense**

The Department of Defense's mission is to assist authorities in providing for the safety, welfare, and defense of the people of Hawaii, which among other things, includes maintaining readiness to respond in the event of disasters (Civil Defense), working with and assisting veterans and their families (Office of Veterans' Services), and providing at-risk youth with opportunities to obtain their high school diploma and become productive citizens (Hawaii Youth Challenge Academy).

The department testified that 9% of its budget is derived from general funds from the state and the other 91% from federal funds. Due to statewide cutbacks in 2010, the department's general fund budget was reduced by 14%, which resulted in a loss of federal funds to which it was entitled. As a result, the department's operations were adversely effected along with the State through the loss of new federal funds that would have been incorporated/returned into the economy.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-05-11\\_PM\\_DOD.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-05-11_PM_DOD.pdf)

### **Department of Hawaiian Home Lands**

The Department of Hawaiian Home Lands' mission is to effectively manage the Hawaiian Home Lands Trust and to develop and deliver land to Native Hawaiians. The department partners with others toward developing self-sufficient and healthy communities. The department is funded by its special and trust funds pursuant to the Hawaiian Homes Commission Act of 1920. The department testified that furloughs and retirement vacancies have reduced the department's human resource capacity, but staff reorganization has helped to minimize productivity loss. Current economic and fiscal conditions have opened a number of opportunities to the department including the adoption of a formal energy policy, increased federal funding for the NAHASDA (Native American Housing Assistance and Self Determination Act) program, and partnerships with Hawaiian agencies, other governmental ENTITIES, and the business community.

The department does not propose any reductions to the budget. It does propose additions of \$502,782 from its special funds and \$392,268 from trust funds to restore furlough days. The department also proposes a consolidation of two of its programs which have the same mission, and the consolidation will help with efficiency, workload, and costs.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-06-11\\_AM\\_DHHL.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-06-11_AM_DHHL.pdf)

#### **Department of Human Services- Attached Agencies**

The Department of Human Services' mission is to provide timely, efficient and effective programs, services and benefits to the most vulnerable population. This will expand their capacity for self-sufficiency, self-determination, independence, healthy choices, quality of life and personal dignity.

The department testified that over the past several years, poor economic conditions have caused Hawaii residents to experience job loss and substantial wage and benefit reductions, which have led to an increased need for social, medical, and financial assistance services. Also due to the poor economy, the department suffered an elimination of 365 positions, which has led to negative impacts upon case processing times, the department's federal reporting obligations, and contract oversight and monitoring obligations.

The department further advised that to meet increased demand for medical services, the department's MedQUEST division is requesting \$57.5 million in emergency assistance funds. The department also plans to request \$58.5 million in emergency assistance funds for the Temporary Assistance for Needy Family (TANF) program because a portion of TANF funds were used to cover the deficit that fiscal year 2011 started with and all remaining American Recovery and Reinvestment Act (ARRA) funds are depleted. Although the department's capital needs are estimated at \$350 million, the department is working on a list of programs and non-profit organizations that will be cut to alleviate funding shortages, and it plans to focus on child and adult protective services.

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-11-11\\_AM\\_DHS.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-11-11_AM_DHS.pdf)

#### **Department of Labor and Industrial Relations**

The Department of Labor and Industrial Relations' mission is to administer programs designed to increase the economic security, physical and economic well-being, and productivity of workers, and to achieve good labor-management relations. The department aims to assure quality of work-life for workers through a variety of programs that provide economic security and also enhance physical well-being and productivity.

The department testified that tough economic times have severely impacted its workload, which provided basic and occupational skills training to over 23,000 individuals in 2010 as compared to a little fewer than 3,500 individuals for 2009. The number of Unemployment Insurance claims has also gone up in the past year, increasing to approximately 17,000 claims from a year ago, to a total of over 158,000 in 2010.

The department testified that it will be requesting general fund appropriations for workers compensation. The department also stated that over the next 13 months, \$340 million in federal funds will be coming into the state for the extension of unemployment insurance. The department will be hampered by the loss of American Recovery and Reinvestment Act (ARRA) funds and is in the process of working out a contingency plan to bridge the funding gap. The department advised that the Unemployment Insurance fund went bankrupt last month and the department acquired a federal loan with payments deferred until May of 2012.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-06-11\\_PM\\_DLIR.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-06-11_PM_DLIR.pdf)

#### **Department of Taxation**

The Department of Taxation's mission is to administer the tax laws for the State of Hawaii in a consistent, uniform, and fair manner. The department stated that over the last 3 fiscal years, the department's general funds appropriation decreased by 21% and permanent positions were reduced by 11%. As a result, public services have been reduced and revenue collection programs intended to enhance revenues have lacked resources. However, progress has been made in the collection of delinquent taxes, which netted \$75 million beyond costs, and the department is focusing on the "cash economy," by stepping up public education along with enforcement activities, and targeting high-risk businesses for special attention.

The department proposed no reductions in its biennium budget, but proposed additions for the restoration of furlough savings, transferring of departmental funds for an information technology position, and the restoration of funds for other administrative positions.

To view the presentation:

[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-05-11\\_AM\\_DOTAX.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-05-11_AM_DOTAX.pdf)

#### **Department of Transportation**

The Department of Transportation's mission is to provide a safe, efficient, and accessible transportation system that ensures the mobility of people and goods, and enhances and/or preserves economic prosperity and the quality of life. The department testified that it has



worked closely with users and has successfully issued bonds to move forward with “modernizing” the Airport and Harbor facilities. Efforts to modernize transportation infrastructure are underway but challenges are always there such as rising operational costs and the impact of the State’s overall economy upon the department’s revenue stream. The department has been very fortunate to receive moneys from the American Recovery and Reinvestment Act (ARRA) to mitigate some of the cuts due to budget constraints.

The department asked that furlough funds be restored across all its departments including General Administration, Airports, Harbors, and Highways. Each program also reported that they will be seeking federal funds in order to cover improvement, general maintenance, and special projects. In addition, the Highways program proposed consolidation of their Lanai and Molokai districts with their Maui district to streamline the process of transferring funds between districts when necessary.

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[http://www.capitol.hawaii.gov/session2011/testimony/INFO\\_TESTIMONY\\_WAM\\_01-10-11\\_AM\\_DOT.pdf](http://www.capitol.hawaii.gov/session2011/testimony/INFO_TESTIMONY_WAM_01-10-11_AM_DOT.pdf)