

Honolulu, Hawaii

April 25, 2014

RE: H.B. No. 1700
H.D. 1
S.D. 1
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1700, 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.

PART I. OVERVIEW

Your Committee on Conference has approved an executive supplemental budget bill that reduces the appropriation amounts requested by the Administration. The Conference Draft appropriates \$159,239,203 in all funds, inclusive of \$65,709,287 in general funds, for fiscal year 2014-2015. The Conference Draft also reduces the appropriation of all funds for fiscal year 2013-2014 by \$92,507,527, the majority of which comprises general funds. The following table displays the results of your Committee on Conference's actions.



	Fiscal Year 2013-2014		Fiscal Year 2014-2015	
	All Funds	Gen. Funds	All Funds	Gen. Funds
Executive Supplemental Request (Including Governor's Messages)	(53,414,636)	(53,417,636)	273,612,110	200,154,616
Conference Draft Appropriation Adjustment	(39,092,891)	(38,814,391)	(114,372,907)	(134,445,329)
Net Change	(92,507,527)	(92,232,027)	159,239,203	65,709,287

Your Committee on Conference emphasizes that the total general fund *reduction* to the supplemental budget request in fiscal years 2013-2014 and 2014-2015 exceeds \$173 million.

In the interest of full disclosure, however, your Committee on Conference notes that a portion of the \$134.4 million general fund reduction in fiscal year 2014-2015 is derived from programs that your Committee intends to fund through separate bills. Reductions have been made from supplemental budget requests for the Hawaii Invasive Species Council, Kupuna Care, and other senior citizens programs. Appropriations for those programs are included in joint majority package bills (S.B. No. 2343/H.B. No. 1716 and S.B. No. 2346/H.B. No. 1713).

The net change of the Conference Draft results in an executive budget for fiscal biennium 2013-2015 of the following:

	Fiscal Year 2013-2014		Fiscal Year 2014-2015	
	All Funds	Gen. Funds	All Funds	Gen. Funds
2013 Exec. Budget Act 134	11,819,318,188	6,036,556,466	11,988,000,674	6,123,494,985
Net Change of Conference Draft	(92,507,527)	(92,232,027)	159,239,203	65,709,287
Total Appropriation	11,726,810,661	5,944,324,439	12,147,239,877	6,189,204,272



PART II. STATE'S FISCAL SITUATION

Your Committee on Conference finds that the expectations of state departments and other parties requesting funds from the Legislature are unrealistic in light of the State's fiscal situation. Fiscal year 2012-2013 ended with a carryover balance of \$844,000,000. This was a cumulative result of four years of austere budgets, revenue changes, furloughs, and layoffs. Sacrifices were made by everyone -- families, businesses, and government. The ending balance for fiscal year 2012-2013 was already being used to fund expenses such as collective bargaining and other fixed cost increases before deliberations began on the supplemental budget in December 2013.

On March 11, 2014, the Council on Revenues reduced revenue projections for the current and next fiscal bienniums. The following table displays the differences between the Council's tax revenue and Department of Budget and Finance's non-tax revenue projections of March 11, 2014, and January 7, 2014, and the cumulative impact of the reduced revenue projections.

COUNCIL ON REVENUES' TAX REVENUES & DEPARTMENT OF BUDGET AND FINANCE'S NON-TAX REVENUES (03/11/14)							
	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
COR & B&F 03/11/14	6,233.0	6,133.5	6,360.0	6,643.6	7,009.3	7,409.3	7,784.6
COR & B&F 01/07/14	6,233.0	6,323.0	6,662.3	7,128.5	7,512.0	7,939.2	8,349.2
DIFFERENCE	0.0	(189.5)	(302.3)	(484.9)	(502.7)	(529.9)	(564.6)
CUMULATIVE IMPACT (Sum of the Differences of Previous Years)	NA	(189.5)	(491.8)	(976.7)	(1,479.4)	(2,009.3)	(2,573.9)

When compared against the Council on Revenues' January 7, 2014, projection, the table indicates that general fund revenues now available for state budgets are \$189,500,000 less in fiscal year 2013-2014 and \$491,800,000 less in fiscal year 2014-2015.

Despite these fiscal challenges, as stewards of the taxpayers' money, your Committee on Conference has an obligation to spend wisely on today's needs while ensuring that there are sufficient funds to address future challenges. Your Committee on Conference commits to the following:

- (1) Maintaining contributions to pay the other post-employment benefits unfunded liability according to the schedule set forth in Act 268, Session Laws of Hawaii 2013; and



- (2) Supporting budget reserves of at least \$200,000,000 by the end of fiscal year 2013-2014, growing to over \$270,000,000 by the end of fiscal year 2014-2015.

Your Committee on Conference recognizes that the current unprecedented budget surplus was the result of a collective effort. As a result, the State finds itself in a unique position to:

- (1) Continue the work done a year ago in the biennium budget to provide stability to the State's overall financial outlook;
- (2) Strengthen core programs;
- (3) Increase transparency in how taxpayer money is spent; and
- (4) Strategically plan for the long term through the supplemental budget.

Your Committee on Conference has approved this bill with general fund appropriations of much less than those requested in the Administration's initial proposal. Your Committee on Conference has done so after reviewing the different priorities of the Senate and House, the departments, and the community. Your Committee on Conference is satisfied that the programs and projects funded in this bill are all deserving of legislative support. In sum, your Committee on Conference finds that this bill represents a balance among the needs of the beneficiaries of state government, the availability of projected future revenues, and the preservation of adequate reserves.

Your Committee on Conference notes that, due to the projected reduction of the general fund tax revenue growth rates, the State's financial plan will show negative revenues over expenditures annually at least through fiscal year 2016-2017. The State will avoid violating the constitutional requirement for a balanced operating budget, however, by drawing down carefully on the \$844,000,000 ending balance.

PART III. OPERATING BUDGET

Accounting and General Services

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by



adding \$1,260,229 in general funds and adding \$731,357 in non-general funds. The Administration's supplemental budget request was to add \$9,974,039 in general funds and \$652,384 in non-general funds.

Your Committee on Conference approves one position and \$87,071 in general funds for school repair and maintenance on the neighbor islands. The position will be stationed in West Hawaii to manage and maintain service level agreement performance requirements. Remaining funds will provide for two existing positions for plumbing work orders and to reduce the backlog of repairs and projects at school facilities.

Your Committee on Conference also approves \$366,846 in general funds for utilities to cover projected shortfalls at the Hawaii and Maui Central Services District Offices. Recurring increases in electricity, sewer, and water rates have caused the cost of utilities to outpace custodial budgets. This appropriation provides the necessary funding to meet escalating utility costs and prevent operational deficiencies that could impact the health and safety of the public and staff.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$378,973 in special funds for salaries in Information Management and Technology Services (AGS130/EG);
- (2) Adding \$200,000 in federal funds for Statewide Voter Registration System (AGS879/OA); and
- (3) Adding one position and \$92,400 in special funds for State Archives Preservation (AGS111/DA).

Agriculture

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2013-2014 by reducing \$25,000 in general funds and for fiscal year 2014-2015 by adding \$346,309 in general funds and \$1,456,608 in non-general funds. The Administration's supplemental budget request was to add \$4,163,080 in general funds and \$1,219,940 in non-general funds for 2014-2015.



Your Committee on Conference approves four positions and \$96,309 in general funds to address concerns on pesticide use. Three positions will conduct pesticide inspections, maintain pesticide surveillance activities, and provide pesticide education services to help communities understand the requirements of pesticides regulations. One position will assist in the preparation of enforcement actions to ensure compliance with laws governing the use of pesticides. To further supplement the pesticide regulatory capability, your Committee on Conference approves \$400,000 in revolving funds for operating and maintenance costs in the Pesticides Branch.

Your Committee on Conference also approves \$250,000 in general funds for vacation payouts to promote "truth in budgeting." The funds may be used only to pay the accumulated vacation compensation owed to employees leaving the Department of Agriculture. This is intended to obviate the need for the department to keep positions vacant for a certain period in order to use the savings for vacation payouts.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$410,000 in interdepartmental transfer funds for positions formerly paid with Department of Transportation special funds in Animal Disease Control (AGR132/DC);
- (2) Adding \$265,000 in revolving funds for vehicles and equipment for Molokai Irrigation System in Agricultural Resource Management (AGR141/HA); and
- (3) Adding \$420,000 in revolving funds for payroll shortfall and expenditures for new land, infrastructure, and facilities in Agribusiness Development and Research (AGR161/KA).

Attorney General

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$940,982 in general funds and \$1,011,216 in non-general funds. The Administration's supplemental budget request was to add \$5,330,019 in general funds and \$2,126,113 in non-general funds.

Your Committee on Conference approves six positions and \$452,330 in interdepartmental transfer funds for the Tax Team for



the Delinquent Tax Collection Project. The Tax Team of two deputy attorneys general and four legal assistants will enforce established and recorded tax liens and work on other tax recovery cases.

Your Committee on Conference also approves two positions, \$365,296 in special funds, and \$35,000 in general funds to regulate charitable societies and to relocate the Charities Unit of the Tax and Charities Division. The addition of one deputy attorney general and one legal assistant will provide oversight for over two thousand eight hundred registered charitable organizations. The relocation of the Unit will accommodate the Unit's growth as the number of registered charitable organizations increases.

Your Committee on Conference also approves two positions and \$216,870 in interdepartmental transfer funds to establish deputy attorney general positions that will serve the Department of Education and the Office of Information Management Technology.

Your Committee on Conference also approves one position and \$31,568 in general funds for the Internet Crimes Against Children (ICAC) Task Force. The ICAC Task Force investigates and prosecutes internet crimes that target children and increases public awareness of the dangers of online predators.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$280,000 in general funds for vacation payouts to promote "truth in budgeting" (ATG100). See the discussion of the concept under the "Agriculture" section;
- (2) Adding \$800,000 in other federal funds for anticipated federal awards in State Criminal Justice Information and Identification (ATG231/BC); and
- (3) Adding \$200,000 in general funds for the Automated Fingerprint Identification System (AFIS) upgrade and lease financing in State Criminal Justice Information and Identification (ATG231/BA).

Budget and Finance

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2013-2014 by reducing \$64,617,636 in general funds and adding \$3,000 in non-general funds and for fiscal year 2014-2015 by reducing \$30,807,969



in general funds and adding \$1,158,894 in non-general funds. The Administration's supplemental budget request was to reduce \$53,417,636 in general funds and add \$3,000 in non-general funds for fiscal year 2013-2014 and reduce \$25,586,719 in general funds and add \$1,246,619 in non-general funds for fiscal year 2014-2015.

Your Committee on Conference approves \$15,185,356 in general funds for fiscal year 2013-2014 and \$15,292,859 in general funds for fiscal year 2014-2015 for pension accumulation and Social Security/Medicare payments. These appropriations provide for mandatory retirement contributions for individuals employed by the State, the Department of Education, and the University of Hawaii.

Your Committee on Conference also approves \$5,476,009 in general funds for fiscal year 2014-2015 for health premium payments for active employees, as proposed in Governor's Messages submitted to the Legislature after the convening of the 2014 Regular Session.

Your Committee on Conference also approves \$64,806 in general funds for charter school collective bargaining supplemental agreements. The department did not provide this amount to charter schools because of a calculation error. Although this amount was requested under EDN600, your Committee on Conference has more appropriately placed the appropriation under BUF101.

Your Committee on Conference also approves two positions and \$81,420 in general funds for the Office of the Public Defender. The two additional positions will support the Public Defenders in specialty, District, Family, and Circuit Courts.

Business, Economic Development, and Tourism

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$715,665 in general funds and \$58,453,098 in non-general funds. The Administration's supplemental budget request was to add \$15,774,353 in general funds and \$64,574,288 in non-general funds.

Your Committee on Conference approves \$500,000 in special funds for new energy technologies to support clean energy goals pursuant to section 269-92, Hawaii Revised Statutes. These funds will leverage federal and private resources for use as investment capital for companies within the Energy Excelerator, through a non-profit organization.



Your Committee on Conference also approves \$50,000,000 in special funds from Green Energy Market Securitization (GEMS) bond proceeds for the purposes of the Hawaii Green Infrastructure Loan Program, in accordance with section 196-65, Hawaii Revised Statutes. This increases the amount of GEMS bond proceeds available for deployment as green infrastructure loans to a total of \$150,000,000 in fiscal year 2014-2015. Utilization of the proceeds will expand the loan program to make green infrastructure installations accessible and affordable to more of Hawaii's underserved ratepayers, achieve measurable cost savings, and further Hawaii's clean energy goals.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$250,000 in general funds for the Beijing and Taipei state offices in Strategic Marketing and Support (BED100/SM);
- (2) Adding \$100,000 in general funds for the creative lab accelerator program in Creative Industries (BED105/CI);
- (3) Adding \$475,000 in special funds for subject matter expertise for advancement of renewable energy projects in Environment and Energy Development (BED120/SI); and
- (4) Adding \$250,000 in special funds for subject matter expertise and technical services for Public Utilities Commission docket activities and stakeholder support in Environment and Energy Development (BED120/SI).

Commerce and Consumer Affairs

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$3,829,348 in non-general funds. The Administration's supplemental budget request was to add \$95,045 in general funds and \$3,644,670 in non-general funds.

Your Committee on Conference approves \$700,000 in special funds for consultants to handle new and complex issues affecting renewable energy initiatives. The consultants will offer additional analysis intended to expedite and facilitate actions critical to Hawaii's utility regulatory efforts.



Your Committee on Conference also approves six positions and \$481,124 in special funds for oversight of health plans for the Hawaii Health Connector. Three positions will assist with reviewing premium rates, and three positions will assist with reviewing the qualifications of health plans for the Hawaii Health Connector.

Your Committee on Conference also approves \$175,000 in special funds to migrate the department's e-mail system from a server-based Lotus Notes platform to a cloud-based Microsoft system. This switch is intended to standardize systems among all departments and agencies.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding two positions and \$263,796 in special funds for the Hawaii Post-Secondary Education Authorization Program (CCA107/IA);
- (2) Adding \$110,000 in trust funds to cover claims and other expenses from the mortgage loan recovery fund in the Division of Financial Institutions (CCA104/BA); and
- (3) Adding \$2,000,000 in trust funds for transfer to the Department of Labor and Industrial Relations for a capital improvement program grant awarded in 2013 to the Hawaii Public Television Foundation (CCA102/FA).

Defense

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$2,535,641 in general funds and \$2,477,549 in non-general funds. The Administration's supplemental budget request was to add \$1,884,484 in general funds and \$2,541,356 in non-general funds.

Your Committee on Conference approves \$629,295 in general funds and \$967,083 in federal funds for electricity in the Kalaeloa area to cover a projected shortfall. The funds will alleviate increasing electricity costs at Hawaii Army National Guard facilities.

In anticipation of increased real estate and maintenance costs, including costs for grounds, refuse, custodial contracts, and supplies, your Committee on Conference also approves \$602,346 in general funds and \$1,807,041 in federal funds for utilities and



custodial services at the three new buildings on the Hawaii Air National Guard campus.

Your Committee on Conference also approves two positions and \$227,200 in federal funds for the Homeland Security Office to coordinate security planning and preparedness activities with all agencies. The positions will oversee the monitoring of threats, evaluation of response exercises, and the administration of planning and preparedness grants.

Your Committee on Conference also approves \$104,000 in general funds for equipment at the Keaukaha Military Reservation Building. Since the building is scheduled for occupancy in May 2014, the furnishings will provide essential safety features and a nurturing environment for the attending cadets of the Youth Challenge Academy.

Your Committee on Conference also approves \$1,000,000 in general funds for mitigation of hazardous situations pursuant to section 128-10.3, Hawaii Revised Statutes. The funds are intended to eliminate or mitigate the threat that hazardous natural conditions pose to residents, such as unstable or overgrown trees.

Education

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2013-2014 by reducing \$127,576 in general funds and for fiscal year 2014-2015 by adding \$41,534,247 in general funds and \$2,004,550 in non-general funds. The Administration's supplemental budget request was to add \$42,271,421 in general funds and \$1,888,850 in non-general funds for fiscal year 2014-2015.

Regular Education

Your Committee on Conference approves \$15,000,000 in general funds for the Weighted Student Formula (WSF) in School-Based Budgeting. These funds go directly to schools to provide resources for students. Your Committee reiterates its intent that all funds appropriated for the WSF be expended at the discretion of principals and that the use of the funds shall not be directed by the central office, district, or complex.

Your Committee on Conference also approves \$9,000,000 in general funds to account for a projected shortfall in the department's utilities budget. This funding will pay for utility shortfalls that resulted from overly optimistic energy savings



assumptions for fiscal year 2014-2015 under the department's proposed Energy Efficiency and Sustainability Master Plan. Pilot installations of photovoltaic systems at a number of schools were delayed due to interconnection circuit problems that prevented Hawaiian Electric from issuing net energy metering agreements.

Your Committee on Conference also approves \$3,664,694 in general funds to provide special education services to qualifying students up to age twenty-two. On August 28, 2013, the federal Ninth Circuit Court of Appeals ruled that the Individuals with Disabilities Education Act (IDEA) prohibited the State of Hawaii from restricting special education services eligibility to qualifying individuals up to age twenty. This funding will be used to provide a free appropriate public education for eligible students with special needs in compliance with the court ruling.

Your Committee on Conference also approves twenty-one temporary positions and \$1,925,472 in general funds to implement the Strive-HI performance system. Strive-HI is the foundation of Hawaii's Elementary and Secondary Education Act (ESEA) Waiver, which replaces the No Child Left Behind Act (NCLB). The funds and positions appropriated will be used to form Complex Area Support Teams (CAST) that serve schools designated as "Focus" and "Priority" under the new Strive-HI classification. Focus and Priority schools are those that struggle to meet the educational standards outlined in the State's ESEA Waiver.

Your Committee on Conference also approves \$2,000,000 in general funds for the restoration of school athletics programs. State funding for athletic programs has been significantly reduced from fiscal year 2008-2009 when \$13,337,483 was allocated for student sports. Currently, fiscal year 2014-2015 allocates \$9,193,798 for athletic programs. Reductions in athletic program funding have created additional challenges for neighbor island schools as athletes must travel to compete. Funding cuts have forced athletic teams to maintain smaller rosters, attend fewer events, and use worn equipment. It has also led to a loss of forty department-wide athletics staff positions. This appropriation will help restore funding to historically budgeted levels.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$600,000 in general funds for the Educator Evaluation System to measure teacher effectiveness (EDN200/GD);



- (2) Adding \$256,000 in general funds for statewide teacher induction and mentoring (EDN300/KO);
- (3) Adding \$579,208 in general funds for the Professional Development Management System (PDE3) annual subscription in the State Administration (EDN300/KO); and
- (4) Adding \$200,000 in general funds for Alternate Teacher Route Contracts, including Teach for America (EDN300/KD).

Public Libraries

Your Committee on Conference approves \$600,000 in general funds to support operational expenses for fiber optic connectivity at all public libraries. Through Broadband Technology Opportunities Program (BTOP) grants, the Hawaii State Public Library System has installed a high speed broadband connectivity network that provides public access computing to users statewide. This appropriation will allow the Library System to purchase necessary computer equipment to complete the BTOP initiative and will fund the necessary telecommunication expenses.

Your Committee on Conference also approves \$685,000 in general funds for increased electricity costs at all Hawaii State Public Libraries. Over the last six years, rate increases have caused a shortfall in the electricity budget that the Public Library System will no longer be able to accommodate with its current operating budget.

Charter Schools

Your Committee on Conference approves three positions, \$2,004,550 in federal funds, and \$62,000 in general funds for the Public Charter Schools' federal program support staff and federal grants. Most of the federal funds received by the State Public Charter School Commission will be transferred directly to the schools.

Your Committee on Conference also approves \$800,000 in general funds for the State Public Charter School Commission's operating and administrative costs. This additional appropriation is on top of the per pupil allocation and will allow schools to retain more resources for students during fiscal year 2014-2015. To supplement the allocation, a proviso allows the Commission to transfer, if



necessary, up to \$560,000 from the per pupil allocation to pay for its operating and administrative costs.

Your Committee on Conference also approves \$134,802 in general funds for per pupil funding for charter school students, which is scaled to match allocations provided to the Department of Education for non-charter public school students. This amount was calculated using general fund amounts appropriated by the Conference Draft for EDN100, EDN200, EDN300, and EDN400 for fiscal year 2014-2015 and projected student enrollment for the Department of Education and charter schools. The Commission provided an updated projected enrollment of 10,922 students for the 2014-2015 school year, which is a decrease from the 11,350 student projection that provided the basis for the supplemental budget request. Based on these figures, the Conference Draft provides an average general fund amount for each charter school and regular education student of \$6,263. This increases the average general fund amount for each student for the 2014-2015 school year from the amount of \$6,046 that was calculated during the prior Regular Session.

Early Learning

The Conference Draft approves \$3,000,000 in general funds for a school readiness program under EDN700 (Early Learning) by establishing twenty-one pre-kindergarten classrooms on Department of Education campuses. This appropriation is intended to allow an estimated four hundred twenty children to attend pre-kindergarten classes in a statewide pilot partnership between the Department of Education and the Executive Office on Early Learning.

Hawaiian Home Lands

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by reducing \$146,259,466 in non-general funds. The Administration's supplemental budget request was to add \$5,387,204 in general funds and reduce \$160,976,957 in non-general funds.

Your Committee on Conference finds it prudent to wait for the outcome of pending court proceedings to determine what constitutes "sufficient sums" for the department's administrative and operating expenses. Accordingly, the Legislature has appropriated \$9,632,000 in general funds annually for the 2013-2015 fiscal biennium. As such, the findings on pages 19 and 20 in Conference Committee Report No. 105 for H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, 2013 (enacted as



Act 134, Session Laws of Hawaii 2013) are hereby incorporated by reference.

Your Committee on Conference notes that it has approved the reduction of \$146.2 million of the trust fund appropriation for the Department of Hawaiian Home Lands for fiscal year 2014-2015, but denied the reduction of another \$10.8 million for salaries, fringe benefits, and other current expenses. In essence, your Committee on Conference provides in the Conference Draft a net trust fund appropriation for fiscal year 2014-2015 of \$10.8 million for 81.00 positions and their associated current expenses. Your Committee on Conference does not intend that the \$10.8 million net trust fund appropriation be construed as a ceiling that prohibits the department from expending trust funds above that amount for programs and projects to fulfill its duties. Your Committee on Conference finds that the department has the authority to expend trust funds at its discretion. Your Committee on Conference does not intend to intrude into that authority, but has maintained the appropriation of trust funds for personnel in order to display legislative intent regarding the funding of the department's personnel and other current expenses.

Health

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2013-2014 by reducing \$100,000 in general funds and for fiscal year 2014-2015 by adding \$2,760,296 in general funds and reducing \$2,153,227 in non-general funds. The Administration's supplemental budget request was to add \$32,549,582 in general funds and reduce \$2,439,857 in non-general funds for fiscal year 2014-2015.

Your Committee on Conference approves \$1,183,384 in general funds for the home- and community-based services waiver program administered by the department's Developmental Disabilities Division. This funding is to address a deficit caused by fiscal year 2011-2012 program review reductions and adjust for projected growth rates and increased service requirements mandated under the Makin Settlement Agreement.

Your Committee on Conference also approves \$1,232,495 in general funds for Early Intervention Section purchase of services contracts. The state Early Intervention Section (EIS) is a federal and state mandated program that provides services to support the development of infants and toddlers from birth to three years of age. As a result of prior year reductions-in-force, the EIS program



increased purchase of service (POS) contract expenditures to maintain services impacted by the loss of staff. This has caused recurring deficits in the program's POS funding since fiscal year 2011-2012. The Conference Draft addresses a projected shortfall in fiscal year 2014-2015 and prevents an unlawful diminution of services that may result from insufficient funding.

Your Committee on Conference also approves \$750,000 in general funds for statewide health information exchange infrastructure advancement. This funding will be used to support health information technology priorities, including the department's Hawaii health emergency syndromic surveillance system and the Hawaii health information exchange fiscal year 2014-2015 operations.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$354,504 in general funds for the State's share of intermediate care facilities in Developmental Disabilities State Match for Title XIX Programs (HTH501/CN); and
- (2) Adding \$797,000 in other federal funds for upgrades to the Hawaii criminal background check system in Health Care Assurance (HTH720/MP).

To support community-based programs designed to provide services for all elder persons in the State, your Committee on Conference supports appropriations through joint majority package bills, S.B. No. 2346/H.B. No. 1713, that include additional funds for kupuna care and other programs.

Hawaii Health Systems Corporation

Your Committee on Conference approves \$5,000,000 in general funds for fiscal year 2014-2015 for the Hawaii Health Systems Corporation (HHSC). The appropriation is intended to mitigate HHSC's operating budget shortfall caused by federal sequestration and reimbursement reductions, collective bargaining costs, and other factors. Your Committee on Conference notes that it intends to provide HHSC with an additional \$15,000,000 in general funds through S.B. No. 2866, as an emergency appropriation for fiscal year 2013-2014.

Your Committee on Conference also approves \$2,000,000 in general funds to continue the HHSC residency program in fiscal year 2014-2015. Administered by Hilo Medical Center, the primary care



training program will help increase the number of physicians available within the State. This funding is intended to address the significant shortage of primary care providers at Hawaii hospitals.

Human Services

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2013-2014 by reducing \$6,386,815 in general funds and for fiscal year 2014-2015 by adding \$16,012,818 in general funds and \$76,682,907 in non-general funds. The Administration's supplemental budget request was to add \$42,205,825 in general funds and \$81,339,887 in non-general funds for fiscal year 2014-2015.

Your Committee on Conference approves \$1,500,000 in general funds to continue the homeless program's Housing First initiative in fiscal year 2014-2015. These funds will be used in conjunction with the Substance Abuse Mental Health Services Administration grant to allow a greater percentage of program resources to go to direct housing costs. This will provide funding for the third year of the Housing First initiative and is expected to afford transitional housing support and stability services to chronic homeless individuals throughout the State.

Your Committee on Conference also approves \$5,546,076 in general funds and \$2,956,860 in federal funds to adjust monthly foster board rates to the three-tier aged-based system and funding levels cited in the United States Department of Agriculture's report, Expenditure on Children by Families. The report finds that the monthly cost of raising a child in the urban Western region averages \$576 for children aged 0-5; \$650 for children aged 6-11; and \$676 for youth aged 12-21. Hawaii's monthly foster care board rate is currently \$529.

Your Committee on Conference also approves \$500,000 in general funds for the Resources for Enrichment, Athletics, Culture, and Health Initiative (REACH). This funding will continue the REACH pilot project to provide a framework for intermediate school after-school programs that do not receive federal funding through the Uniting Peer Learning, Integrating New Knowledge program.

Your Committee on Conference also approves the transfer of four positions and \$9,191,840 in general funds from the Department of Health's Adult Mental Health Division to the Department of Human Services' MedQuest Division, to consolidate payments and services for adults with severe and persistent mental illness (SMI) who are



Medicaid eligible. The consolidation of the payments and provision of these services under MedQuest draws an additional \$2,015,055 in federal matching funds. This will provide more resources to broaden and improve Medicaid-eligible SMI services. Further, administration under a single agency facilitates service continuity and simplifies access to service providers and case management for eligible beneficiaries.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$273,752 in general funds for utility rate increases at Kalaeloa shelters in Homeless Programs (HMS224/HS);
- (2) Adding \$147,147 in general funds for the adult protective services best practices model in Adult and Community Care Services (HMS601/TA);
- (3) Adding \$260,000 in general funds and \$260,000 in federal funds for an Asset Verification System for aged, blind, and disabled services in General Support for Health Care Payments (HMS902/IA);
- (4) Adding \$500,000 in general funds for social security advocacy services in General Support for Self-Sufficiency Services (HMS903/FA); and
- (5) Adding \$300,000 in federal funds for outreach services to families and individuals who may qualify for benefits under the Supplemental Nutrition Assistance Program in General Support for Self-Sufficiency Services (HMS903/FA).

Labor and Industrial Relations

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$1,947,838 in general funds and reducing \$33,504,565 in non-general funds. The Administration's supplemental budget request was to add \$896,963 in general funds and reduce \$33,522,368 in non-general funds.

Your Committee on Conference approves two positions, \$22,065 in general funds, and \$31,341 in federal funds for the Hawaii Occupational Safety and Health program (HIOSH) to mitigate persistent staffing challenges associated with maintaining staff



levels and inspection quotas of federally required benchmarks. Minimal staffing and elevated attrition rates create a constant risk for HIOSH to fall below benchmarks in the event of a vacancy. These two positions will provide the staffing and operational capacity required for HIOSH to remain in compliance with federal requirements and regain the desirable 18(e) status of the Occupational Safety and Health Act of 1970, to retain the program under state purview.

Your Committee on Conference also approves \$200,000 in general funds for vacation payouts to promote "truth-in-budgeting." See the discussion of this concept under the "Agriculture" section.

Land and Natural Resources

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$2,761,983 in general funds and \$15,335,697 in non-general funds. The Administration's supplemental budget request was to add \$13,688,226 in general funds and \$12,337,261 in non-general funds.

Your Committee on Conference approves \$4,000,000 in general funds and special funds for the State's 2016 bid to host the International Union for Conservation of Nature Congress (IUCN). This is an international convention regarding sustainable resource management, climate change, and nature conservation. If awarded the bid, Honolulu will be the first city in the United States to host the IUCN.

Your Committee on Conference also approves twelve temporary positions and \$800,000 in general funds for the Community Fisheries Program. The funds will support the Maui program and expand the program to Hawaii, Kauai, and Oahu. The program has shown results in reducing ocean-related violations on Maui as well as expanding community educational outreach.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$1,300,000 in special funds for information management system redesign and upgrade in Public Land Management (LNR101);
- (2) Adding \$500,000 in special funds for Kauai fire mitigation and reforestation in Forestry Resources Management and Development (LNR172/DA);



- (3) Adding \$577,000 in general funds for personal services, current operating expenses, and equipment in Conservation and Resource Enforcement (LNR405);
- (4) Adding \$1,000,000 in the special funds for Natural Resource Management Protection (LNR407/NA); and
- (5) Adding \$700,000 in special funds for park projects in Parks Administration (LNR806/FI).

The Conference Draft does not include \$1,000,000 in general funds for the Hawaii Invasive Species Council. Your Committee on Conference prefers to appropriate additional funds for the Council through a separate joint majority package bill, S.B. No. 2343/H.B. No. 1716.

Public Safety

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2013-2014 by reducing \$20,500,000 in general funds and for fiscal year 2014-2015 by reducing \$195,590 in general funds and adding \$127,116 in non-general funds. The Administration's supplemental budget request for fiscal year 2014-2015 was to add \$4,099,594 in general funds and \$527,116 in non-general funds.

Your Committee on Conference approves twenty positions and \$786,718 in general funds for mental health care in correctional centers. The State was previously subject to a federal Department of Justice settlement dictating the necessary level of mental health care to be provided at Oahu Community Correctional Center. These positions will bring the remainder of the State's correctional facilities up to national standards for mental health treatment and reduce the State's liability in providing a minimum level of care.

Your Committee on Conference also approves sixteen positions and \$415,888 in general funds for suicide and hospital watch at two correctional facilities on Oahu. These positions will provide dedicated adult corrections officers to reduce suicides and provide proper security for inmate hospital visits. Dedicated hospital and suicide watch officers will significantly reduce overtime expenses incurred by the department.

Your Committee on Conference also approves \$2,000,000 in general funds for the Justice Reinvestment Initiative and other program costs in General Administration.



The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$270,000 in general funds for security camera surveillance systems at Oahu, Kauai, and Halawa Community Correctional Centers;
- (2) Adding \$125,000 in general funds for central building emergency exit doors in Maui Community Correctional Center (PSD406/EH);
- (3) Adding \$148,500 in general funds for replacement body armor in Sheriff's Division (PSD503/CC); and
- (4) Adding \$200,000 in special funds for the Statewide Automated Victims Information and Notification System in General Administration (PSD900/EA).

Taxation

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2013-2014 by reducing \$475,000 in general funds and for fiscal year 2014-2015 by adding \$787,826 in general funds. The Administration's supplemental budget request was to add \$1,107,028 in general funds for fiscal year 2014-2015.

Your Committee on Conference approves \$223,656 in general funds for fourteen positions in various tax compliance offices across the State. Half a year of funding for these positions is currently appropriated. This amount will provide for a full year of salary funding for the positions.

Your Committee on Conference also approves \$440,000 in general funds to pay for the costs incurred by the Attorney General's Collection Section on behalf of the department. Under the Memorandum of Understanding with the Attorney General dated May 23, 2013, the department is obligated to pay for the additional costs in order to pursue collection litigation.

Your Committee on Conference also approves \$36,546 in general funds for two Delinquent Tax Collection Assistants, one for the Hawaii District Office and the other for the Kauai District Office. These positions will improve the ability of the offices to handle workloads and increase revenue collection goals.



Transportation

The Conference Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$28,424,984 in non-general funds. The Administration's supplemental budget request was to add \$27,660,892 in non-general funds.

Airports

Your Committee on Conference approves \$6,000,000 in special funds for routine maintenance of the baggage handling and explosives detection system at the Honolulu International Airport and Kahului Airport. The system is required by the Transportation Security Administration (TSA). Improvements will include distribution of electrical power to the lobbies and existing outbound baggage conveyor system and additional system controls to allow TSA to automatically operate and monitor the bags from the on-screen resolution room.

Your Committee on Conference also approves \$4,000,000 in special funds for pavement-marking rehabilitation at eight airports. Maintaining the pavement markings is a requirement of the Federal Aviation Administration. The funds will provide human resources and equipment to address areas of failure.

Your Committee on Conference also approves \$7,359,000 in special funds to purchase additional Wiki Wiki buses to accommodate international passengers waiting to be transported to the United States Customs and Border Protection at Honolulu International Airport.

Harbors

Your Committee on Conference approves \$1,500,000 in special funds for Honolulu Harbor and Kalaheo Harbor to expand the storm drain cleaning and pollution control program on Oahu and another \$1,300,000 in special funds for other expenses that may be incurred under the federal Clean Water Act.

Your Committee on Conference also approves six positions and \$958,028 in special funds in Harbors Administration to assist with existing clean water regulations. One position in the environmental section will coordinate the Storm Water Management program and ensure compliance with small municipal separate storm water



permitting. Two positions in property management will manage statewide commercial harbors systems transactions and inventories. Three positions in the short-range planning unit will assist with Geographic Information System (GIS) development, environmental review compliance of capital improvement program projects, and review of legislation. In addition to providing funding for the aforementioned positions, funding is provided for a geographic information system for the harbors division.

Highways

Your Committee on Conference approves \$1,000,000 in special funds to repair all restroom facilities in Aliiaimoku Hale. Restrooms at the facility are over fifty years old, and remediation of unsanitary conditions is necessary to ensure the health and safety of occupants.

Your Committee on Conference also approves \$3,300,000 in special funds to implement the Highways Division FAST Accounting System. Through a contract with Ciber, the completion of the new system will address significant limitations in the present accounting system.

Your Committee on Conference also approves \$3,000,000 in special funds to establish a national pollutant discharge elimination system and municipal separate storm water system permit for Maui District. Identified as an urbanized area since May 2013, Kahului, Maui, is under the purview of the Clean Water Act, which mandates a storm water management plan to minimize pollutant discharge.

University of Hawaii

The Conference Draft of the executive supplemental budget adjusts the University's appropriation for fiscal year 2014-2015 by adding \$24,855,000 in general funds and \$83,270,000 in non-general funds. The Administration's supplemental budget request was to add \$37,526,775 in general funds and \$70,143,000 in non-general funds.

Your Committee on Conference approves \$14,000,000 in special funds and \$19,500,000 in general funds associated with collective bargaining costs of the University of Hawaii Professional Assembly. Additional general fund support will significantly relieve the University's reliance on tuition dollars and will help to ward off future tuition increases for university students.



Your Committee on Conference approves eighty-nine positions and \$4,000,000 in general funds for the University of Hawaii-West Oahu campus to support continued enrollment growth. The campus provides access to the underserved populations in the Leeward, North Shore, and Central Oahu areas and Native Hawaiian communities. The campus has not received the general fund support it needs to operate effectively. The positions and funds are critical for the University to ensure that its students, faculty, and staff have the necessary academic, student services, and facilities support for a quality four-year baccalaureate education.

Your Committee on Conference also approves \$1,000,000 in general funds for outcome-based funding for the Community Colleges. The funding is intended to be distributed to community college campuses that meet certain metrics and incentivize the campuses to improve.

The Conference Draft also makes other significant adjustments, including the following:

- (1) Adding \$45,970,000 in special funds and \$9,200,000 in revolving funds for various programs in University of Hawaii, Manoa (UOH100/AA);
- (2) Adding \$9,350,000 in special funds for various programs in University of Hawaii, John A. Burns School of Medicine (UOH110/PP);
- (3) Adding \$2,000,000 in special funds for various programs in University of Hawaii, Hilo (UOH210/MM); and
- (4) Adding fifty positions funded by general funds for the University of Hawaii, Community Colleges (UOH800).

PART IV. CAPITAL IMPROVEMENTS PROGRAM BUDGET

Your Committee on Conference finds that the State's economic situation is not what was anticipated and revenues have not increased as projected. In the first year of the 2013-2015 fiscal biennium, the focus was on infusing funds into the economy to create jobs and rebuild our aging infrastructure. However the importance of supporting capital improvement projects that will help diversify our economy has never been greater, along with the need for streamlining government operations and allocating financial resources in a manner more reflective of the current economic landscape.



Due to the current drop in projected revenues, as well as previous strategic investments in capital improvement program projects, your Committee on Conference took a more studied approach to the capital improvement program appropriations. Accordingly, your Committee on Conference, after carefully considering the current economy along with the proposals, needs, and priorities of the Administration and the departments, has provided a total of \$955,256,000 for fiscal year 2013-2014 and \$1,372,592,000 for fiscal year 2014-2015 for projects funded by general obligation bonds and \$5,094,070,000 in fiscal biennium 2013-2015 for projects funded by all means of financing. It should be noted that the appropriations for fiscal year 2014-2015 include a lapse and reauthorization of \$399,000,000 of general obligation bonds to recapitalize the state educational facilities improvement fund, as requested by the Administration.

While developing the capital improvement program budget, your Committee on Conference recognized the need to address the repair and maintenance and health and safety project backlogs that continue to plague the State's agencies and departments. Your Committee on Conference believes that this capital improvement program budget addresses the most basic necessities of many state facilities while remaining cautiously optimistic about the future growth and technological advancement of state operations.

Highlights of the capital improvement program budget for the biennium includes \$698,241,000 in total biennium appropriations for the Department of Education to address school improvements, upgrades, and renovations. Over \$110,000,000 was appropriated to the Hawaii Health Systems Corporation for critical repairs and upgrades for the state hospital system, as well as \$11,500,000 to protect our vital watershed areas.

Your Committee on Conference has approved \$389,994,000 to help the University of Hawaii address the needs of campus facilities and programs statewide. Of those funds, \$157,000,000 has been designated for capital renewal and deferred maintenance and health and safety projects for facilities statewide. Furthermore, your Committee on Conference sought to invest in university programs by appropriating \$33,000,000 for the Daniel K. Inouye College of Pharmacy facility at the University of Hawaii-Hilo, as well as \$28,800,000 for University of Hawaii-West Oahu's Allied Health and Administration Building.



Your Committee on Conference has also taken the first step toward creating a consolidated state department facility to be coordinated by the Department of Accounting and General Services. This facility will increase departmental efficiency and collaboration and will decrease general fund expenditures for private lease expenses. To achieve this end, \$15,000,000 was appropriated for the planning and design of the Liliha Civic Center.

Your Committee on Conference believes that the capital improvement projects within this budget will help the State to maintain the long-term viability of its current facilities, while also laying the foundation for the State to improve its operating efficiency through technological and physical infrastructure development and modernization.

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. 1700, 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. 1700, 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



SYLVIA LUKE, Chair



