

Honolulu, Hawaii

April 29, 2016

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

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2016
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. 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 a Conference Draft of the executive budget that reduces the operating budget request submitted by the Administration. The Conference Draft reduces \$14,210,046 in all funds, inclusive of reducing \$13,761,322 in general funds, for fiscal year 2015-2016 and appropriates an additional \$405,792,059 in all funds, inclusive of \$202,317,436 in general funds, for fiscal year 2016-2017.



The following table displays the net change to the Administration's budget request as a result of the Conference Draft amendments.

	Fiscal Year 2015-2016		Fiscal Year 2016-2017	
	All Funds	Gen. Funds	All Funds	Gen. Funds
Executive Request	\$6,832,489	\$7,281,213	\$507,796,893	\$336,576,420
Conference Draft Change To Executive Request	(\$21,042,535)	(\$21,042,535)	(\$102,004,834)	(\$134,258,984)

The net change of the Conference Draft results in an executive budget for fiscal biennium 2015-2017 as follows:

	Fiscal Year 2015-2016		Fiscal Year 2016-2017	
	All Funds	Gen. Funds	All Funds	Gen. Funds
Executive Budget Act 119, SLH 2015	\$12,874,418,668	\$6,584,744,854	\$13,296,497,506	\$6,834,254,853
Net Change Of Conference Draft	(\$14,210,046)	(\$13,761,322)	\$405,792,059	\$202,317,436
Total Appropriation	\$12,860,208,622	\$6,570,983,532	\$13,702,289,565	\$7,036,572,289

PART II. OPERATING BUDGET

Agriculture

The Administration's request was to add \$85,118 in general funds and \$476,345 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Agriculture's appropriation for fiscal year 2016-2017



by adding \$1,091,987 in general funds and \$1,407,500 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$500,000 in general funds for pesticide regulation expenses;
- (2) Adding \$500,000 in special funds for a Kauai Nene Pilot Project to protect against crop damage from Nene geese; and
- (3) Adding \$500,000 in special funds for agricultural development and research in coordination with agricultural commodity organizations.

Accounting and General Services

The Administration's request was to add \$5,504,894 in general funds and \$1,568,859 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Accounting and General Services' appropriation for fiscal year 2016-2017 by adding \$2,292,749 in general funds and \$1,568,859 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding 8.00 positions and \$319,190 in general funds for the implementation of a centralized system for payroll, and time and attendance;
- (2) Adding \$1,200,000 in special funds for system enhancements to the Maui Police Department 911 Call Center in the interest of public safety;
- (3) Adding 3.00 positions and \$132,486 in general funds for cyber security; and
- (4) Adding 4.00 positions and \$525,387 in general funds for custodial and utility costs for the re-occupancy of the Kamamalu Building.



Attorney General

The Administration's request was to add \$2,359,461 in general funds and \$12,086,606 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of the Attorney General's appropriation for fiscal year 2016-2017 by adding \$2,647,735 in general funds and \$12,024,075 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$380,000 in general funds for Statewide Sexual Assault Services;
- (2) Adding \$2,500,000 in interdepartmental transfer funds for interdepartmental reimbursements for legal services;
- (3) Adding \$1,063,000 in general funds, \$83,000 in special funds, \$105,000 in federal funds, and \$689,000 in interdepartmental transfer funds for deputy attorneys general salary increases;
- (4) Adding \$700,000 in general funds for Career Criminal Prosecution Statewide units; and
- (5) Adding \$800,339 to the other federal funds ceiling.

Business, Economic Development, and Tourism

The Administration's request was to add \$6,134,165 in general funds and \$35,331,555 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Business, Economic Development, and Tourism's appropriation for fiscal year 2016-2017 by adding \$4,030,266 in general funds and reducing \$14,014,881 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:



- (1) Adding \$150,000 in general funds for an unmanned aerial systems test site for the Office of Aerospace Development;
- (2) Adding \$100,000 in general funds for the Creative Lab program;
- (3) Adding \$100,000 in general funds for the Hawaii Broadband Initiative; and
- (4) Adding 1.00 position and \$92,386 in revolving funds for a Transit-Oriented Coordinator for the Hawaii Housing Finance and Development Corporation.

Budget and Finance

The Administration's request was to add \$130,084,811 in general funds and \$11,494,559 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Budget and Finance's appropriation for fiscal year 2016-2017 by adding \$47,887,320 in general funds and \$17,349,226 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Making additional payments of \$81,937,500 in general funds to pre-fund other post-employment benefit obligations of the State;
- (2) Adding \$600,000 in general funds for a new budget report writing system for the Departmental Administration and Budget Division; and
- (3) Adding 2.00 positions and \$60,716 in general funds for the Budget, Program Planning, and Management Division.

Commerce and Consumer Affairs

The Administration's request was to add \$1,669,991 in non-general funds for fiscal year 2016-2017.



The Conference Draft of the executive budget adjusts the Department of Commerce and Consumer Affairs' appropriation for fiscal year 2016-2017 by adding \$1,504,991 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$304,889 for fiscal year 2016-2017 in special funds for the Public Utilities Commission's administration expenses assessment; and
- (2) Adding \$500,000 for fiscal year 2016-2017 in special funds for the upgrade of the Financial Institutions Management System.

Defense

The Administration's request was to add \$3,610,068 in general funds and to reduce \$1,183,171 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Defense's appropriation for fiscal year 2016-2017 by adding \$4,590,901 in general funds and \$15,662,061 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding 10.00 temporary positions and \$437,740 in general funds for Hawaii Emergency Management Agency staffing for new disaster projects;
- (2) Adding \$669,000 in general funds for repair and maintenance of the department's state buildings and structures;
- (3) Adding \$541,980 in general funds to reduce the department's negative adjustment;
- (4) Adding 7.00 positions and \$502,036 in general funds for a multi-skilled burial team and equipment for the Hawaii State Veterans' Cemetery; and



- (5) Adding \$758,000 in general funds and \$1,636,720 in other federal funds for veterans' assistance burial services and cemetery repair and maintenance.

Education

Regular Education

The Administration's request was to add \$45,586,668 in general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Education's appropriation for fiscal year 2016-2017 by adding \$31,488,109 in general funds and reducing \$2,782,947 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$16,537,791 in general funds for the Weighted Student Formula;
- (2) Adding \$5,215,919 in general funds for electricity costs;
- (3) Adding \$6,984,689 in general funds for public school transportation services;
- (4) Adding \$670,000 in general funds for Alternative Teacher Route Programs; and
- (5) Adding \$650,000 in general funds for tree trimming, foliage control, and pest control.

Hawaii State Public Library System

The Administration's request was to add \$771,454 in general funds and \$500,000 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Hawaii State Public Library System's appropriation for fiscal year 2016-2017 by adding \$820,727 in general funds and \$500,000 in non-general funds.



The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$370,727 in general funds for security services statewide;
- (2) Adding \$250,000 in general funds and \$500,000 in special funds for library books and materials; and
- (3) Adding \$200,000 in general funds to reduce the repair and maintenance backlog for public libraries statewide.

Charter Schools

The Administration's request was to reduce \$2,610,602 in general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Charter Schools' appropriation for fiscal year 2016-2017 by reducing \$3,436,840 in general funds.

Early Learning Program

The Administration's request was to add \$98,108 in general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Early Learning Program's appropriation for fiscal year 2016-2017 by adding \$117,854 in general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$41,000 in general funds for mileage, transportation, and computer equipment for the Pre-kindergarten Program; and
- (2) Adding 2.00 temporary positions and \$76,854 in general funds for the Executive Office on Early Learning.



Governor

The Administration's request was to add \$578,974 in general funds and reduce \$311,348 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Office of the Governor's appropriation for fiscal year 2016-2017 by adding \$520,000 in general funds and reducing \$311,348 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding 2.00 temporary positions and \$300,000 in general funds for Office of Military Affairs and Federal Grants Maximization; and
- (2) Adding \$150,000 in general funds for personal services.

Hawaiian Home Lands

The Administration's request was to add \$7,512,374 in general funds for fiscal year 2015-2016, and to add \$8,192,157 in general funds and reduce \$23,036,859 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Hawaiian Home Lands' appropriation by adding \$7,512,374 in general funds for fiscal year 2015-2016, and by adding \$14,293,340 in general funds and reducing \$10,508,882 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$17,144,374 in general funds for administrative and operating expenses for fiscal year 2015-2016;
- (2) Adding 28.00 positions and \$1,484,364 in general funds for additional staffing for administrative and operating support; and



- (3) Changing the means of financing for 163.00 permanent and 9.00 temporary positions from special and trust funds to general funds.

Health

The Administration's request was to add \$22,722,386 in general funds and \$4,413,670 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Health's appropriation for fiscal year 2016-2017 by adding \$17,310,754 in general funds and \$4,544,018 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$6,000,000 in general funds for Hawaii State Hospital deficit;
- (2) Adding \$3,000,000 in general funds for Kupuna Care; and
- (3) Adding 20.00 positions and \$1,270,120 in general funds for the management of the Dengue fever outbreak and newly emerging public health threats.

Hawaii Health Systems Corporation

The Administration's request was to add \$31,000,000 in general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Hawaii Health Systems Corporation's appropriation for fiscal year 2016-2017 by adding \$31,000,000 in general funds.

Your Committee on Conference notes that this measure allocates portions of the general, special, and capital improvement appropriations for the Hawaii Health Systems Corporation's Regions to implement Act 103, Session Laws of Hawaii 2015, for disbursement to the Maui Health System, a Kaiser Foundation Hospitals LLC ("MHSKFH"), if the operations of the Maui Regional System's three hospital facilities are discontinued and the facilities are leased to MHSKFH as authorized by that Act. By the Transfer Agreement dated as of January 14, 2016, MHSKFH requested, and the State of



Hawaii agreed to take, reasonable steps to secure legislative appropriations for operating support, including initial working capital, and capital improvement support to complete the implementation of Act 103. The Governor conveyed the State's request for these appropriations to the Legislature by Budget Message #7 dated January 29, 2016. By a letter (which included nineteen attachments) dated April 20, 2016, MHSKFH conveyed its request directly to the President, the Speaker, and the Chairs of your Committee on Conference. Your Committee on Conference subjected MHSKFH's request for funding to the standards and conditions for the receipt of operating and capital support set out in sections 323F-58(b) and 323F-59(c), Hawaii Revised Statutes, and considered the assertions MHSKFH made, and the supporting documents it included in its April 20, 2016 letter. Your Committee on Conference confirms that MHSKFH satisfies all the standards and conditions set out in sections 323F-58(b) and 323F-59(c).

Human Resources Development

The Administration's request was to add \$940,262 in general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Human Resources Development's appropriation for fiscal year 2016-2017 by adding \$1,193,495 in general funds.

The Conference Draft of the executive budget includes adding \$666,000 in general funds for fiscal year 2016-2017 for workers' compensation claims.

Human Services

The Administration's request was to add \$56,488,864 in general funds and \$80,098,991 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Human Services' appropriation for fiscal year 2016-2017 by adding \$29,331,042 in general funds and adding \$146,526,440 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:



- (1) Adding \$12,000,000 in general funds for fiscal year 2016-2017 for homeless programs;
- (2) Adding \$3,000,000 in general funds for fiscal year 2016-2017 for Hawaii Public Housing Authority state family and state elderly housing facilities;
- (3) Adding \$10,000,000 in general funds for fiscal year 2016-2017 for Preschool Open Doors; and
- (4) Changing the means of financing for 16.00 positions and \$1,125,584 from federal funds to general funds for rental assistance services housing vouchers.

Labor and Industrial Relations

The Administration's request was to add \$954,876 in general funds and \$2,588,105 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Labor and Industrial Relations' appropriation for fiscal year 2016-2017 by adding \$3,149,546 in general funds and \$2,588,105 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$750,000 in general funds to support Workforce Advisory Councils;
- (2) Adding \$572,857 in general funds for the Community Services Block Grant Program;
- (3) Adding 1.00 position and \$25,386 in general funds for enforcement of workers' compensation, temporary disability insurance, and prepaid health care laws; and
- (4) Adding \$5,000 in special funds for human trafficking victim services.



Land and Natural Resources

The Administration's request was to add \$6,686,866 in general funds and \$15,878,876 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Land and Natural Resources' appropriation for fiscal year 2016-2017 by adding \$3,611,824 in general funds and \$9,324,293 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$1,500,000 in general funds for a United States Geographical Survey study on Hawaii streams;
- (2) Adding 10.00 positions and \$344,256 in general funds for the operation of harbor facilities six days a week;
- (3) Adding \$400,000 in general funds for the wildfire contingency fund;
- (4) Adding \$250,000 in general funds for endangered species management; and
- (5) Adding \$250,000 in general funds for marine debris removal.

Public Safety

The Administration's request was to add \$6,120,295 in general funds and \$300,000 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Public Safety's appropriation by reducing \$3,164,155 in general funds for fiscal year 2015-2016 and by adding \$2,768,393 in general funds and \$300,000 in non-general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget includes the following major adjustments:



- (1) Adding \$438,560 in general funds for basic utilities costs for the Maui Community Correctional Center;
- (2) Adding \$284,228 in general funds for physician malpractice insurance costs for the Healthcare Division;
- (3) Adding \$50,000 in general funds for motor vehicle fuel and oil for the Sheriff Division; and
- (4) Adding \$869,165 in general funds for lease rent for the Department of Public Safety Administration building and State Narcotics Enforcement Division offices.

Taxation

The Administration's request was to reduce \$528,223 in general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Taxation's appropriation for fiscal year 2016-2017 by reducing \$1,134,777 in general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding 2.00 tax examiner positions and \$40,980 in general funds for the neighbor islands; and
- (2) Transferring 12.00 positions and \$664,668 in general funds from the Director's Office to the Information Technology Services Office for administrative support.

Your Committee on Conference would like to note that the tax examiner positions are not to be used to create an Investigation Branch.

Transportation

The Administration's request was to add \$25,449,794 in special funds and \$3,894,500 in federal funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the Department of Transportation's appropriation for fiscal year 2016-



2017 by adding \$1,500,000 in general funds and \$17,793,113 in non-general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$580,000 in special funds for Hilo International Airport seating replacement;
- (2) Adding \$613,500 in special funds for Lihue Airport routine maintenance contracts;
- (3) Adding \$1,000,000 in special funds for pier and wharf insurance;
- (4) Adding \$1,500,000 in special funds for albizia mitigation on Hawaii Island; and
- (5) Adding \$800,000 in special funds for replacement of Kauai Highways bridge inspection equipment.

University of Hawaii

The Administration's request was to add \$12,368,302 in general funds for fiscal year 2016-2017.

The Conference Draft of the executive budget adjusts the University of Hawaii's appropriation for fiscal year 2016-2017 by adding \$5,287,604 in general funds.

The Conference Draft of the executive budget includes the following major adjustments:

- (1) Adding \$3,000,000 in general funds for University of Hawaii Athletics;
- (2) Adding \$1,250,000 in general funds for equipment for community colleges;
- (3) Adding 4.00 positions and \$330,000 in general funds for the College of Tropical Agriculture and Human Resources' Cooperative Extension Service;



- (4) Adding 27.00 positions for the University of Hawaii at Hilo to establish a security and safety patrol force; and
- (5) Adding 6.00 positions and \$357,604 in general funds for the University of Hawaii, West Oahu campus.

Subsidies

The Conference Draft of the executive budget adjusts the subsidies' appropriation for fiscal year 2016-2017 by adding \$2,500,000 in general funds.

The Conference Draft of the executive budget added the \$2,500,000 in general funds to support Wahiawa General Hospital in Private Hospitals and Medical Services (SUB601).

PART III. CAPITAL IMPROVEMENT PROJECTS BUDGET

Your Committee on Conference finds that capital improvement projects play a vital role in rebuilding our economy and strengthening our social infrastructure.

Act 119, Session Laws of Hawaii 2015, provided \$640,617,000 in fiscal year 2015-2016 and \$188,504,000 in fiscal year 2016-2017 for projects funded by general obligation bonds. Your Committee on Conference has reduced funds in fiscal year 2015-2016 for a total appropriation of \$636,767,000 and added funds in fiscal year 2016-2017 for a total appropriation of \$1,159,637,000 for projects funded by general obligation bonds, and provided \$2,517,960 for fiscal biennium 2015-2017 for projects funded by all other means of financing.

Highlights of the capital improvements program budget for the biennium include:

- (1) Water irrigation systems repairs for the Department of Agriculture, totaling \$26,000,000 in general obligation bond funds for fiscal year 2016-2017;
- (2) Government financial system upgrades for the Department of Accounting and General Services, totaling \$15,000,000 in general obligation bond funds for fiscal year 2016-2017, \$10,000,000 for health and safety at Aloha Stadium for



fiscal year 2016-2017, and adding \$11,200,000 in general obligation bond funds in fiscal year 2016-2017 for lump sum health and safety, totaling \$23,200,000 for the 2015-2017 fiscal biennium;

- (3) A rental housing revolving fund capital infusion of \$36,600,000 in general obligation bond funds and a dwelling unit revolving fund capital infusion of \$25,000,000 in general obligation bond funds for fiscal year 2016-2017 to expand affordable housing statewide;
- (4) Lump sum condition, capacity, equity, and program support for Department of Education schools, adding \$50,000,000 in general obligation bond funds in fiscal year 2016-2017 for a total of \$295,768,000 for the 2015-2017 fiscal biennium;
- (5) Funding for construction for the Hawaii State Hospital totaling \$160,500,000 in general obligation bond funds in fiscal year 2016-2017;
- (6) Funding to support repair and maintenance for Hawaii public housing, totaling \$35,150,000 in general obligation bond funds for fiscal year 2016-2017;
- (7) Lump sum repair and maintenance for the Department of Public Safety, adding \$64,400,000 in general obligation bond funds in fiscal year 2016-2017 for a total of \$76,900,000 for the 2015-2017 fiscal biennium; and
- (8) Support for repair and maintenance at University of Hawaii campuses, including \$25,000,000 in general obligation bond funds for community colleges and \$48,625,000 in general obligation bond funds for University of Hawaii systemwide support in fiscal year 2016-2017.

Your Committee on Conference has also provided funding for deferred maintenance and health and safety, including appropriations to, among others, the Department of Defense; Department of Hawaiian Home Lands; Department of Land and Natural Resources; and Department of Business, Economic Development, and Tourism.

Additionally, your Committee on Conference believes that investment in airports, harbors, and highways is necessary to address the continued influx of visitors, the efficient transport of goods within and without the State, and the day-to-day needs of our



residents. Your Committee on Conference has demonstrated its commitment to transportation projects by appropriating \$2,262,849,000 for fiscal biennium 2015-2017 for the Department of Transportation, including \$469,997,000 for highways statewide.

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

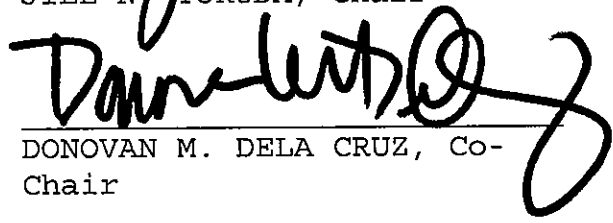
ON THE PART OF THE HOUSE



JILL N. TOKUDA, Chair



SYLVIA LUKE, Chair



DONOVAN M. DELA CRUZ, Co-
Chair



