

Honolulu, Hawaii

APR 02 2024

RE: H.B. No. 1800
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1800, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to appropriate funds for the operating and capital improvement program costs of the executive branch for the fiscal biennium beginning July 1, 2023, and ending June 30, 2025 (FB25).

Your Committee received testimony in support of this measure from Hawai'i Early Intervention Coordinating Council; State Council on Developmental Disabilities; Executive Office on Aging; Executive Office on Early Learning; Hawaii Green Infrastructure Authority; Department of Commerce & Consumer Affairs; Mililani Mauka Elementary School; Paauilo Elementary and Intermediate; Na'alehu Elementary School; Hana High and Elementary School; Department of Budget and Finance; Department of the Attorney General; Office of the Governor; Department of Land and Natural Resources; Department of Health; Kohala Elementary School; Kohala High School; Kaumana Elementary; Office of Planning and Sustainable Development; University of Hawaii; Department of Education Central Oahu District Office; Department of Human Resources Development; Department of Hawaiian Home Lands; Kaneohe Elementary School; Department of Law Enforcement; Hawaii State



Department of Education; Office of Hawaiian Affairs; Department of Business, Economic Development, and Tourism; Department of Labor and Industrial Relations; Department of Taxation; Hawaii Community Development Authority; Department of Accounting and General Services; Hawaii Housing Finance & Development Corporation; Hawaii Department of Agriculture; Waiahole Elementary School; Public Utilities Commission; Hawaii State Public Library System; Pomaikai Elementary; Hawaii Technology Development Corporation; Agribusiness Development Corporation; Hawaii Public Housing Authority; Criminal Justice Research Institute; Early Learning Board; Judiciary, State of Hawaii; State Public Charter School Commission; Board of Education; Department of Corrections and Rehabilitation; Department of Human Services; Hawaii Correctional System Oversight Commission; Hawaii Tourism Authority; Hawaii State Energy Office; Waianae High School; Department of Transportation; State of Hawaii Climate Change Mitigation and Adaptation Commission; Department of Defense; County of Kauai Office of the Prosecuting Attorney; Maui County Department of the Prosecuting Attorney; Hawai'i County Office of the Prosecuting Attorney; Board of Water Supply; HE'E Coalition; Malama Makua; Ohana Hoopakele; FAMM; Community Alliance on Prisons; Hawaii True Cost Coalition; National Association for Civilian Oversight of Law Enforcement; Prison and Jail Innovation Lab, LBJ School of Public Affairs, University of Texas; Hawaii Food Industry Association; 3D Innovations; Hawaii Hui LLC; MorphOptic, Inc.; Min Plastics & Supply, Inc.; Going Home Hawai'i; Aloha Edibles; Hawaiian Chip Company, LLC; Malie, Inc.; Hawaii Afterschool Alliance; Mana Up; Hawaii Venture Capital Association; 'Imi Ola Support Services; Hawaii Health Systems Corporation; Parents And Children Together; Guide Star Engineering LLC; Hawai'i Friends of Restorative Justice; Ai.Fish LLC; Care for Aina Now Coalition; Small Kine Farm; Ma'i Movement Hawai'i; PERIOD.; Local Food Coalition; Hawaii Fish Company Inc.; Hawaii Association for Behavior Analysis; Hawai'i Women's Coalition; Jun Innovations Inc; Healthcare Association of Hawaii; Aloha Shoyu Company, Ltd.; HNU Photonics; YWCA Oahu; Referentia Systems; North Shore Hydrological Services; Blue Startups, LLC; Hawaii Alliance for Progressive Action; Indivisible Hawaii; Indivisible Hawaii; Hawai'i Public Health Institute; Ten Tomorrow; AF3IRM Hawaii; and sixty-five individuals.

Your Committee received testimony in opposition to this measure from Reimagining Public Safety in Hawai'i Coalition;



American Civil Liberties Union of Hawaii; Reimagining Public Safety; and eighteen individuals

Your Committee received comments on this measure from The Stadium Authority; Honolulu Department of the Prosecuting Attorney; Andria Tupola, Honolulu City Councilmember, District 1; Hawaii Harbors Users Group; Microsoft Corporation; Natural Energy Laboratory of Hawaii Authority; Maui Health Systems; Hawai'i Children's Action Network Speaks!; and two individuals.

PART I. HOUSE BILL NO. 1800, HOUSE DRAFT 1

This measure, as received, includes:

- (1) The base budget from Act 164, Session Laws of Hawaii (SLH) 2023;
- (2) The reduction of line-item vetoes from the base budget from Act 164, SLH 2023, pursuant to Governor's Message No. 1233;
- (3) Program appropriation provisions that lapse previously appropriated general funds from Act 164, SLH 2023, and other bills with appropriations; and
- (4) The changes incorporated in House Bill No. 1800, House Draft 1 (H.B. No. 1800, H.D. 1), including salary adjustments to appropriate full-year funding for new and vacant positions.

Your Committee finds that, according to Department of Human Resources Development (DHRD), the overall timeline of the recruitment process takes an average of about seven months to one year. According to the Report to the 2024 Legislature as required by Act 57, SLH 2019, DHRD averages about five hundred open recruitments on any given day. Recognizing the challenges to establish and fill positions expeditiously, Finance Memorandum No. 22-11, dated September 23, 2022, stated that "new positions shall be funded for a maximum of six months for the first year then for the full year thereafter". As such, Finance Memorandum No. 23-12, dated September 5, 2023, includes a request category for full-year funding. This means a request to provide full-year



funding for half-year funded positions. While filling vacancies to deliver core services and programs is important for the people of the Hawaii, your Committee disagrees with H.B. No. 1800, H.D. 1 to appropriate full-year funding for all new positions. There are more pressing and immediate needs such as Maui recovery efforts and continuation and restoration of safety net programs across the State.

Your Committee finds that section 5 of H.B. No. 1800, H.D. 1 details program appropriation provisions that lapse previously appropriated general funds from Act 164, SLH 2023, and other general fund appropriations in other Acts from 2022 and 2023. In total, section 5 of H.B. No. 1800, H.D. 1 proposes to lapse a total of \$153,091,433 in general funds, which includes:

- (1) An aggregate total of \$51,567,433 in fiscal year beginning July 1, 2023, and ending June 30, 2024 (FY24) from Act 154, SLH 2023, for various programs and services, including:
 - (A) \$500,000 for the Festival of Pacific Arts and Culture;
 - (B) \$5,250,000 for the Small Business Credit Initiative;
 - (C) \$5,000,000 for an affordable rental housing construction incentive program;
 - (D) \$3,600,000 for a shoreline project along Kamehameha Highway in the vicinity of Kaaawa Elementary school;
 - (E) \$9,000,000 for the Mauna Kea Stewardship Oversight Authority;
 - (F) \$2,940,000 for King Kalakaua Building roofing project; and
 - (G) \$25,277,433 for the Department of Budget and Finance;



- (2) \$60,000,000 in fiscal year beginning on July 1, 2022, and ending on June 30, 2023 (FY23) from Act 248, SLH 2022, for repairs and maintenance projects in the Department of Education;
- (3) \$4,524,000 in FY24 from Act 95, SLH 2023, for a supportive housing pilot program in the Statewide Office on Homelessness and Housing Solutions;
- (4) \$1,500,000 in FY24 from Act 97, SLH 2023, for affordable housing under the Hawaii Community Development Authority; and
- (5) \$5,000,000 in FY24 from Act 218, SLH 2023, for irrigation infrastructure to support farmers by the Department of Agriculture.

Your Committee finds that, in consultation with each of the impacted departments, there are plans to encumber and/or spend \$112,351,754 out of the proposed \$153,091,433 general fund lapses, leaving \$40,739,679 of funds that can realistically be lapsed. The proposed lapses for these funds that have been committed, at best, would be rendered ineffective and the funds would not lapse, but, at worst, would force the departments to suspend activities, terminate the impacted projects, and forfeit extramural matching funds up to \$42,000,000. As such, the subject forced lapses are a disservice to the planning and commitments behind each affected project, program, and the people who supported them.

Your Committee has identified the following changes that were incorporated in the House Draft that negatively impact the safety, financial sustainability, and prosperity of the State:

- (1) A general fund appropriation of \$1,051,100,000 for wildfire response and recovery efforts to the Department of Budget and Finance;
- (2) A special fund ceiling reduction of \$49,500,000 from \$49,500,000 to \$0 for operations and development of the Aloha Stadium;
- (3) A series of adjustments to provide guard services for the Capitol District, including:



- (A) A general fund appropriation of \$5,481,362 to the Department of Accounting and General Services;
 - (B) A general fund reduction of \$1,129,242 from state retirement benefits; and
 - (C) A general fund reduction of \$1,752,120 from General Administration from the Department of Law Enforcement;
- (4) A general fund reduction of \$1,484,052 from \$2,456,750 to \$972,698 for the Victim Witness Protection and Career Criminal Prosecution Programs;
 - (5) A general fund reduction of \$1,319,999 from \$1,320,000 to \$1 for Homeless Programs Office contract increases;
 - (6) A general fund reduction of \$13,199,999 from \$20,000,000 to \$6,800,001 for psychiatric in-patient services;
 - (7) A special fund ceiling reduction of \$800,000 from \$800,000 to \$0 for sport fishing;
 - (8) A special fund ceiling reduction of \$900,000 from \$900,000 to \$0 for roadside safety maintenance; and
 - (9) A special fund ceiling reduction of \$300,000 from \$300,000 to \$0 for County of Hawaii Highway police services.
 - (10) A general fund reduction from \$5,000,000 to \$0 for debris removal services for State highways;

Your Committee received testimony from the impacted departments that details some of the negative impacts of each of the aforementioned adjustments incorporated into H.B. No. 1800, H.D. 1.

Your Committee finds that the \$1,051,100,000 general fund appropriation does not provide resources that address the needs of Maui survivors in timely matter, according to funding requests from the Administration through Governor's Messages and bills.



For example, GM4 requested \$297,000,000 in FY24. Moreover, the \$1,051,100,000 general fund appropriation reflects a lack of transparency on how the funds align with state and county housing and recovery plans for Maui survivors. Therefore, your Committee has appropriated the funds for Maui wildfire recovery efforts requested by the Administration in House Bill No. 679, House Bill No. 2610, Senate Bill No. 582, and Senate Bill No. 3068 to increase public transparency. These stand-alone bills provide clear legislative direction, while allowing public participation, on the budget preparation and execution process.

Your Committee received testimony from the Department of Business, Economic Development, and Tourism, as well as the Stadium Authority, stating that without the special fund ceiling increase of \$49,500,000, the long-term sustainability of the New Aloha Stadium Entertainment District (NASED) could be compromised. Your Committee notes that the subject appropriation would have no negative financial impact on the general fund or Stadium Development Special Fund. The subject appropriation would allow the Stadium Authority to expend funds appropriated and deposited into the special fund pursuant to Act 248, SLH 2022. The NASED aligns with the Halawa Area Transit-Oriented Development Plan. The plan envisions the stadium site to develop a mix of affordable housing, commercial, office, entertainment, and cultural uses. On December 14, 2023, the Request for Proposals for the NASED was published to select a master developer to master plan and deliver NASED as an integrated public-private partnership. On March 28, 2024, the State announced that two priority-listed offerors were selected to proceed to the Proposals Phase. Therefore, your Committee recommends supporting the current procurement process by adding the requested \$49,500,000 special fund ceiling increase for NASED.

Your Committee received testimony from the Department of Law Enforcement (DLE) requesting a direct appropriation to DLE for security and monitoring contracts for the Capitol District, which would remove the unnecessary transfer of funds between DLE and the Department of Accounting and General Services (DAGS). According to the DLE, DAGS requested DLE to assume responsibility of security and monitoring contracts for the Capitol District. As such, your Committee finds that appropriating the funding for these services to DAGS instead of DLE, as in the House Draft, does not align with this DAGS-DLE agreement. Furthermore, the House



Draft reduces funds from the base of the Retirement Benefits - State (BUF741) within the Department of Budget and Finance and General Administration from DLE (LAW900). Your Committee finds that both reductions would have detrimental and significant negative effects to the departments. Therefore, your Committee recommends supporting the DLE, DAGS, and the Department of Budget and Finance by adding the requested \$2,600,000 general funds to DLE for the continuation of security services.

Your Committee received testimony to restore the proposed reduction of \$736,785 for the Victim Witness Program and \$747,267 for the Career Criminal Prosecution Program, including from the Department of the Prosecuting Attorney of the City and County of Honolulu, a Honolulu City Council Member, and Mothers Against Drunk Driving Hawaii. Your Committee notes that the subject reduction totaling \$1,484,052 specifically targets the Prosecuting Attorney of the City and County of Honolulu. Your Committee recognizes the importance of these programs in promoting safer communities. The Career Criminal Prosecution Program, pursuant to Chapter 845, Hawaii Revised Statutes (HRS), focuses on the prosecution of repeat and violent offenders, and the Victim Witness Program, pursuant to section 28-111, HRS, supports the provision of direct services to victims of crime. Therefore, your Committee recommends supporting the Department of the Attorney General and survivors of crime by adding the requested \$2,456,750 in general funds for the Career Criminal Prosecution Program and the Victim Witness Program.

Your Committee received testimony from the Department of Human Services (DHS) stating that without the \$1,320,000 general fund appropriation for homeless programs, budgeted amounts for contracted services would not keep pace with the cost of living adjustments. According to DHS, despite the increasing cost of living, funds for purchase of service contracts have not been increased in over a decade. Your Committee finds that these funds are essential to avoid a reduction in these critical services, which would exacerbate the homelessness crisis across Hawaii. Caring for individuals experiencing homelessness also becomes more complex and difficult to serve the longer they spend unsheltered or in encampments. Therefore, your Committee recommends supporting efforts to combat houselessness by adding the requested \$1,320,000 general funds to increase funding for Homeless Program Office contracts.



Your Committee received testimony from the Department of Health (DOH) stating that with the \$1 general fund appropriation for psychiatric in-patient services, the bed lease contract with Kahi Mohala would terminate. Legally required to continue care for the patients housed at Kahi Mohala, these patients would be returned to the Hawaii State Hospital (HSH) where current census numbers have already exceeded the hospital's maximum capacity limit. The subject testimony notes that this would not only severely impact the HSH's ability to provide quality in-patient psychiatric care, but could cost the State an additional \$20,000,000 annually. In light of the recent fatal stabbing of a HSH staff member, your Committee recognizes the importance of providing adequate resources to HSH to ensure the safety of the general public and our healthcare workers. Therefore, your Committee recommends supporting health, safety, and wellness initiatives by adding \$14,800,000 for psychiatric in-patient services, including \$8,000,000 for contracted Services at Kahi Mohala.

Your Committee received testimony from the Department of Land and Natural Resources (DLNR) stating that the \$800,000 special fund ceiling increase for sport fishing would have no negative financial impact to the general fund or Sport Fish Special Fund. However, DLNR would not be able to execute projects that were previously committed through the newly established non-resident marine recreational sport fish license, in accordance with Act 48, SLH 2021. Your Committee recognizes that without the subject ceiling appropriation, the State jeopardizes up to \$1,000,000 in revenue generated from this new fee, which could provide stable funding for local marine fishery resources, and up to \$3,000,000 of federal grants per year, pursuant to section 187A-9, HRS. Therefore, your Committee recommends supporting the protection of natural resources by adding the requested \$800,000 special fund ceiling increase for sport fishing.

Your Committee received testimony from the Department of Transportation (DOT) stating that the \$900,000 special fund ceiling increase for roadside safety maintenance would have no negative financial impact to the general fund or State Highway Special Fund. The subject testimony notes that Hawaii Correctional Industries (HCI) performs grass cutting and litter pickup that are vital to keeping State highways safe and clean.



Without the subject increase ceiling appropriation, more unsafe conditions will be created for the public and motorists, and the backlog of work will be exacerbated. Furthermore, your Committee finds that the contract with DOT is HCI's largest contract and provides inmates with the opportunity to have real-life job experience and earn income in preparation for re-integration back into the community. Without the requested funding to DOT, the Department of Corrections and Rehabilitation would begin to lay off employees. Therefore, your Committee recommends increasing road safety by adding the requested \$900,000 special fund ceiling increase.

Your Committee received testimony from DOT stating that the \$300,000 special fund ceiling increase for County of Hawaii police services would have no negative financial impact to the general fund or State Highway Special Fund. The subject testimony notes that only County of Hawaii Police Officers can direct traffic for emergency highway repairs and that without these services, an unsafe condition will be created for the public and motorists. Therefore, your Committee recommends supporting road safety by adding the requested \$300,000 special fund ceiling increase.

Having received testimony on the impacts of some of these proposed changes included in H.B. No. 1800, H.D. 1, your Committee has worked in collaboration with each impacted department to identify the resources needed to deliver these critical programs and services.

PART II. OVERVIEW

Your Committee developed a state budget that is balanced, maintains core statewide services, and leaves the State with adequate levels of fiscal reserves by amending this measure to include:

- (1) Certain appropriations for trade-offs, transfers, change in means of financing, conversions of positions from temporary to permanent, reductions, and additions from Governor's Message No. 2 (GM2), dated December 18, 2023, and Finance Memorandum No. 23-19, pursuant to Article VII, section 9, of the Hawaii State Constitution;



- (2) Certain appropriations for change in means and financing, conversions of positions from temporary to permanent, reductions, and additions from Governor's Message No. 5, dated March 5, 2024;
- (3) The addition of funding for priority budget requests as discussed below;
- (4) The reduction of vacant positions in accordance with the 2023 State of Hawaii Act 57, Session Laws of Hawaii (SLH) 2019 Vacancy Report provided by the Department of Human Resources Development (DHRD), pursuant to section 26-5(a)(2), Hawaii Revised Statutes (HRS); and
- (5) The funding for rental of buildings and land to be non-recurring, pursuant to section 40-14, HRS, which requires the Comptroller to reduce the total square footage of leased space by ten percent by 2026.

Your Committee has amended this measure and proposes an operating budget with the following totals for the fiscal year beginning July 1, 2024, and ending June 30, 2025 (FY25):

Means of Financing	Governor's Request (GM2)	Governor's Adjusted Request (GM5)	Senate Draft
General Funds	\$10,222,773,724	\$10,284,122,664	\$10,321,347,535
All Means of Financing	\$19,242,796,966	\$19,343,740,936	\$19,098,388,299

PART III. BUDGETING FOR WILDFIRE RECOVERY

Your Committee acknowledges that on August 8, 2023, heavy winds from Hurricane Dora transformed brush fires on the islands of Maui and Hawai'i into the worst natural disaster in the State's history. Disaster proclamations by the County of Maui and by the Governor were soon followed by a federal declaration by President Biden. On October 30, 2023, Executive Memorandum No. 23-08 was issued, which re-directed \$164,097,551, after adjustments, from selected general fund operating appropriations from Act 164, SLH 2023, to address immediate 2023 wildfires funding needs.



Your Committee finds that the state financial plan, as proposed by the Governor, pursuant to Article VII, section 9, of the Hawaii State Constitution, allocated \$600,000,000 across the next four fiscal years for Maui wildfires recovery and response efforts. However, your Committee finds that, in collaboration with the Hawaii Emergency Management Agency, Department of Defense, and the Department of Budget and Finance, the State faces expenditures and unfunded liabilities of over \$600,000,000 in the fiscal year beginning July 1, 2023, and ending June 30, 2024 (FY24). To formalize spending guardrails and to help ensure the financial security of the State, Executive Memorandum No. 24-01 was issued, which requires approval from the Governor and the Department of Budget and Finance for expenditures deemed likely to be ineligible for reimbursement from the Federal Emergency Management Agency (FEMA). Your Committee passed a short form bill in an amended form, Senate Bill No. 582, S.D. 1 - Relating to State Budget (S.B. No. 582), recognizing the immediate and imminent financial needs for wildfire recovery efforts. Your Committee also held an informational briefing on February 20, 2024, to illuminate these fiscal challenges for the public.

Thereafter, your Committee received Governor's Message No. 3 (GM3), dated February 26, 2024, which requested expeditious consideration, in accordance with Article VII, section 9, of the Constitution of the State of Hawaii, of S.B. No. 582. Your Committee acknowledges the necessity of GM3 because the Administration's legislative package did not include an emergency appropriation bill for wildfire recovery. However, while GM3 stated that expenditures were expected to exceed the entire \$199,097,551 appropriation deposited into the Major Disaster Fund, it did not specify the financial resources needed for wildfire recovery efforts. Your Committee notes that in an informational briefing on February 29, 2024, the Department of Budget and Finance informed your Committee that funds resulting from the five percent hard restrictions from each Executive Branch department would be transferred to the Major Disaster Fund to cover the shortfall of funds that the Administration initially projected for Maui wildfire recovery efforts.

Subsequently, your Committee received Governor's Message No. 4 (GM4), dated March 1, 2024, which recommended the proposed provisions for S.B. No. 582:



- (1) A general fund appropriation of \$297,000,000 to cover immediate expenses in FY24 for non-congregate sheltering and expenses for individuals impacted by the wildfires who have been classified as not eligible for Federal Emergency Management Agency assistance;
- (2) A general fund appropriation of \$65,000,000 to cover the State's contribution to the One Ohana bank trust account to compensate victims of the Maui wildfires; and
- (3) Repeal of the \$350,000,000 general obligation bond appropriation for the Other Post-Employment Benefits Trust Fund originally made in Act 247, Session Laws of Hawaii 2022.

In addition to the expenses in the amount of \$362,000,000 that was identified in GM4, your Committee finds that there may be additional expenses that the State must pay upfront that are still being calculated. Based on information provided and requests made from the Administration, your Committee estimates that general fund obligations in FY24 for Maui wildfire recovery efforts total \$754,216,070. This total does not include any cost overruns due to the need to house displaced households in non-congregate sheltering beyond June 2024.

Despite exhausting the entire \$199,097,551 appropriation deposited into the Major Disaster Fund and identifying unfunded liabilities in the amount of \$297,065,000 for Maui recovery efforts, your Committee received GM5, which proposed an additional \$61,248,940 in general funds to the Executive Supplemental Budget for the Departments of Agriculture; Accounting and General Services; Business, Economic Development, and Tourism; Defense; Education; Human Services; Human Resources Development; Health; Law Enforcement; Land and Natural Resources; and Transportation; and the Hawaii Health Systems Corporation and the University of Hawaii.

Lastly, your Committee received Governor's Message No. 6 (GM6), dated March 7, 2024, to correct the amount of the general obligation bond appropriation that was proposed to be repealed in GM4 for the Other Post-Employment Benefits Trust Fund originally made in Act 247, SLH 2022 from \$350,000,000 to \$300,000,000.



Altogether, your Committee finds that neither the Administration nor County of Maui have articulated a temporary or permanent housing plan to address the impending cliff for non-congregate sheltering on June 30, 2024.

The State's financial commitment to wildfire recovery has been substantial in both services and supports that may be reimbursable by FEMA. However, your Committee finds that the constitutional responsibility and power to appropriate funds and adopt a balanced budget rests solely with the Legislature. As such, your Committee remains resolute in providing for wildfire survivors and maintaining core services and operations statewide in areas like public education, healthcare, and protecting our natural resources.

PART IV. COUNCIL ON REVENUES

Your Committee acknowledges that the Council on Revenues increased the general fund forecast for FY24 and FY25 in the January and March meetings, respectively.

The Council on Revenues increased the estimated growth in revenues for FY24 from 1.30 percent in the September 11, 2024, meeting to four percent in the January 10, 2024, meeting. The revised forecast means an increase in revenues by \$248,405,000 from \$9,319,912,000 to \$9,568,317,000. The Council on Revenues' forecast revision was attributed to robust general fund collections in the first half of FY24 and a faster-than expected recovery in tourism and the labor market from the Maui wildfires.

The Council on Revenues increased the estimated growth in revenues for FY25 from 4.75 percent in the January 11, 2024, meeting to 4.80 percent in the March 12, 2024, meeting. The revised forecast means an increase in general fund revenues by \$4,784,000 from \$10,022,812,000 to \$10,027,596,000.

The forecasts for the state general fund tax revenues for FY24 through FY30 are shown in the table below:



General Fund Tax Revenues						
September 11, 2023			January 10, 2024		March 12, 2024	
Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year	Amount (in Thousands of Dollars)	Growth From Previous Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2024	\$9,319,912	1.30%	\$9,568,317	4.00%	\$9,568,317	4.00%
2025	\$9,804,547	5.20%	\$10,022,812	4.75%	\$10,027,596	4.80%
2026	\$10,147,706	3.50%	\$10,473,839	4.50%	\$10,478,838	4.50%
2027	\$10,502,876	3.50%	\$10,892,793	4.00%	\$10,897,992	4.00%
2028	\$10,870,477	3.50%	\$11,274,041	3.50%	\$11,279,422	3.50%
2029	\$11,250,944	3.50%	\$11,668,632	3.50%	\$11,674,202	3.50%
2030	\$11,644,727	3.50%	\$12,077,034	3.50%	\$12,082,799	3.50%

Your Committee finds that despite the increased general fund forecast by the Council on Revenues for FB25, fiscal restraint is imperative to ensure budget reserves that preserve the State's bond rating and address the federal fund "cliffs" once the FEMA mission ends. Your Committee has identified the following unfunded liabilities that must be considered when exercising our constitutional mandate to adopt a balanced budget:

- (1) Funds for the continued Maui recovery and response efforts, totaling an estimated \$362,000,000 in FY24; and
- (2) Funds for the Temporary Hazard Pay (THP) settlement with the Hawaii Government Employees Association (HGEA), totaling an estimated \$299,700,000 in FY25.

PART V. PRIORITIES OF THE SENATE

The Senate's approach to balancing the budget entails considering the Council on Revenues' general fund forecast and the unfunded liabilities associated with the Maui wildfire recovery and response efforts and Temporary Hazard Pay settlements. Your Committee has worked diligently to create a responsible financial plan and budget that continues to fund critical services and programs, including the following areas identified by the Senate Majority prior to the start of the 2024 Regular Session:



- (1) Emergency Preparedness, Recovery and Resilience;
- (2) Workforce Development and Education;
- (3) Economic Development and Infrastructure;
- (4) Agriculture, Environment, and Natural Resource Management; and
- (5) Housing and Homelessness.

Your Committee has deployed a number of strategies that will not only provide immediate cost savings but help effectuate legislative policies and increase long-term efficiencies. These strategies include:

- (1) Reducing positions that have been vacant for more than four years and positions that have been recommended to be abolished by the Department of Human Resources Development (DHRD), pursuant to Act 57, SLH 2019;
- (2) Trading-off funds to appropriate funds for building and land lease rent on a non-recurring basis to help minimize leased office spaces pursuant to section 40-14, HRS, and to better align with telework policies;
- (3) Adding salaries for vacant and new positions with a six-month delay in hiring; and
- (4) Adding funds for utilities, including for electricity, on a non-recurring basis to facilitate progress toward our energy goals pursuant to section 269-92, HRS.

Your Committee appreciates DHRD's work in recommending vacant positions to abolish, pursuant to Act 57, SLH 2019. In recommending vacant positions to abolish, each Executive Branch department provided a list of their vacant civil service positions that have remained vacant for more than four years to DHRD. As of November 1, 2023, DHRD's report stated that four hundred twenty civil service positions have been vacant for four years or more. After viewing the justifications from each department as to the reason for these prolonged vacancies, as well as the current recruitment status, DHRD recommended one hundred fifteen vacant



civil service positions for abolishment. Altogether, your Committee recommends reducing over five hundred full-time equivalent positions and over \$30,000,000 for all means of financing, including a reduction of over two hundred full-time equivalent positions and \$15,000,000 for general funds. To ensure that DHRD has proper time to recruit and vet candidates, your Committee also recommends appropriating salaries for new and vacant positions with a six-month delay in hiring.

Your Committee finds that the COVID-19 pandemic has expedited transitions to teleworking. According to DHRD's telework policy guidelines, one of the objectives of the telework program is to reduce office space requirements. This policy aligns with section 40-14, HRS, which requires the State as of July 1, 2021, to reduce the total square footage of space leased by the State by ten percent no later than July 1, 2026. Your Committee has identified over three-thousand full-time equivalent positions in Table 22 of the Budget Informational Briefing documents collected from each department prior to the legislative session that have been authorized to work remotely outside of the dedicated central work site. Pursuant to DHRD's statewide telework policy and section 40-14, HRS, the Senate Draft trades-off funds to appropriate funds for building and land lease rent on a non-recurring basis. In total, your Committee has identified a total of over \$25,000,000 budgeted for rental of buildings and/or land for all means of financing, including \$10,000,000 in general funds.

**PART VI. OPERATING BUDGET HIGHLIGHTS FROM HOUSE BILL NO. 1800,
SENATE DRAFT 1**

Department of Agriculture (AGR)

The Senate Draft of the executive budget for the Department of Agriculture makes general funds appropriations of \$21,606,726 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$31,624,054 in fiscal year 2025. Highlights for the Department of Agriculture include:

1. Increase the Animal Quarantine Special Fund ceiling by \$733,076 for IT improvements to the Animal Integration System;



2. Add \$1,000,000 for the Farm to Food Bank Program;
3. Add \$1,000,000 for the DaBux Program;
4. Increase the trust fund ceiling by \$93,434 for a Grant Writer position salary; and
5. Add \$52,500 as non-recurring for critical software upgrades.

Department of Accounting and General Services (AGS)

The Senate Draft of the executive budget for the Department of Accounting and General Services makes general funds appropriations of \$156,188,882 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$77,488,955 in fiscal year 2025. Highlights for the Department of Accounting and General Services include:

1. Add \$2,500,000 for Microsoft G5 licenses;
2. Add \$1,650,000 to replace the State's Financial System;
3. Add \$400,000 for menstrual products and dispensers for restrooms in public State buildings;
4. Add \$1,000,000 as non-recurring for increase in electricity cost;
5. Add \$470,000 for telecommunications radio site leases, maintenance, and operations; and
6. Add \$17,000,000 for State Risk Management Revolving Fund to address insurance claims.



Department of the Attorney General (ATG)

The Senate Draft of the executive budget for the Department of Attorney General makes general funds appropriations of \$48,657,648 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$72,611,613 in fiscal year 2025. Highlights for the Department of the Attorney General include:

1. Add \$2,456,750 for Career Criminal and Victim Witness Assistance Programs;
2. Add 4.0 positions and \$462,134 for the Hawai'i Correctional System Oversight Commission;
3. Add 4.0 positions and \$169,105 for the Civil Recoveries Division; and
4. Add \$266,648 for the Criminal Justice Division.

Department of Business, Economic Development, and Tourism (BED)

The Senate Draft of the executive budget for the Department of Business, Economic Development, and Tourism makes general funds appropriations of \$314,924,788 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$250,990,367 in fiscal year 2025. Highlights for the Department of Business, Economic Development, and Tourism include:

1. Add 30.0 positions and \$63,000,000 for the Hawai'i Tourism Authority;
2. Increase Convention Center Special Fund ceiling by \$45,000,000 as non-recurring for deferred maintenance;
3. Increase Aloha Stadium Special Fund ceiling by \$49,500,000 as non-recurring for operations and development;
4. Add 2.0 positions and \$230,230 for property and water system management on Kaua'i; and



5. Increase Creative Industries Special Fund ceiling by \$475,000 for State-County Memorandum of Agreements.

Department of Budget and Finance (BUF)

The Senate Draft of the executive budget for the Department of Budget and Finance makes general funds appropriations of \$3,746,882,057 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$521,710,124 in fiscal year 2025. Highlights for the Department of Budget and Finance include:

1. Increase the Unclaimed Property Trust Fund ceiling by \$4,000,000 for disbursement of payments;
2. Add \$13,356,628 for broadband to match federal funds; and
3. Add \$126,000 as non-recurring for the procurement of a case management software for the office of the public defender.

Department of Commerce and Consumer Affairs (CCA)

The Senate Draft of the executive budget for the Department of Commerce and Consumer Affairs makes non-general fund appropriations of \$116,482,369 in fiscal year 2025. Highlights for the Department of Commerce and Consumer Affairs include:

1. Increase special fund ceiling by \$1,175,000 for increase in operating costs;
2. Increase special fund ceiling by \$2,500,000 as non-recurring for website redesign and call center; and
3. Increase special fund ceiling by \$550,000 as non-recurring for cloud migration and data center closure.

Department of Defense (DEF)

The Senate Draft of the executive budget for the Department of Defense makes general funds appropriations of \$40,218,126 in



fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$98,206,207 in fiscal year 2025. Highlights for the Department of Defense include:

1. Add \$6,919,624 for Hazard Mitigation and \$24,700,000 in to match federal funds;
2. Add \$1,430,900 as non-recurring for utilities cost at Joint Base Pearl Harbor-Hickam, Kaua'i, and Kalaeloa;
3. Add \$497,000 as non-recurring for utilities at Hawai'i Army National Guard facilities statewide;
4. Add \$139,909 for State Warning Point and sirens; and
5. Add \$7,000 as non-recurring for utilities at Starbase.

Department of Education (EDN)

The Senate Draft of the executive budget for the Department of Education makes general funds appropriations of \$2,395,785,069 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$407,776,641 in fiscal year 2025. Highlights for the Department of Education include:

1. Add \$12,931,380 as non-recurring for the Weighted Student Formula to support English learners;
2. Add \$413,915 as non-recurring for AP exam and course subsidies;
3. Add \$3,600,000 to provide work-based learning for students with severe disabilities;
4. Add \$20,990,000 as non-recurring for summer learning hubs;
5. Add \$18,266,346 for bus contracts;
6. Add \$10,000,000 for workers' compensation;
7. Add \$14,925,959 for collective bargaining for vice principals and educational assistants;



8. Add \$2,500,000 for career and technical education teacher differentials; and
9. Add \$1,700,000 to enhance the Department's mobile platforms that provide student mental health support.

Office of the Governor (GOV)

The Senate Draft of the executive budget for the Office of the Governor makes general funds appropriations of \$5,249,958 in fiscal year 2025. The Senate Draft reduces 2.0 vacant positions and \$176,816.

Department of Hawaiian Home Lands (HHL)

The Senate Draft of the executive budget for the Department of Hawaiian Home Lands makes general funds appropriations of \$26,350,840 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$39,691,974 in fiscal year 2025. Lastly, the Senate Draft increases the federal fund ceiling by \$808,204 for 6.0 Temporary Native American Housing Assistance and Self-Determination Act (NAHASDA) positions.

Department of Human Services (HMS)

The Senate Draft of the executive budget for the Department of Human Services makes general funds appropriations of \$1,494,419,926 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$2,947,365,361 in fiscal year 2025. Highlights for the Department of Human Services include:

1. Add a total of \$213,979,324 in non-general funded ceiling increases for federally mandated services;
2. Add \$15,525,000 for Home and Community Based Service contract increases;
3. Add \$1,320,000 for a five percent increase to Homeless Programs Office contracts;



4. Add \$1,000,000 for youth mental health services;
5. Add \$543,677 for maintenance and operation of the Benefits Eligibility Solution System;
6. Add \$1,500,000 as non-recurring for the State Rent Supplement Program; and
7. Add 2.0 positions and \$252,360 to put the Deputy Director and Private Secretary into base budget.

Department of Human Resources Development (HRD)

The Senate Draft of the executive budget for the Department of Human Resources Development makes general funds appropriations of \$27,432,039 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$5,877,980 in fiscal year 2025. Highlights for the Department of Human Resources Development include:

1. Add 7.0 positions and \$872,112 to expedite the hiring process and increase recruitment efforts;
2. Add 1.0 position and \$35,508 for the employee benefits and telework programs;
3. Add \$20,000 for employee training; and
4. Transfer 1.0 position and \$260,352 in FY24; and 1.0 position and \$262,116 in FY25 for workers' compensation services for the Hawai'i State Public Library System.

Department of Health (HTH)

The Senate Draft of the executive budget for the Department of Health makes general funds appropriations of \$847,844,203 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$1,331,222,577 in fiscal year 2025. Highlights for the Department of Health include:



1. Add \$29,000,000 for emergency aeromedical services;
2. Add \$14,800,000 as non-recurring for bed contracts for the Hawai'i State Hospital;
3. Add \$13,000,000 as non-recurring for Locum Tenens contracts at the Hawai'i State Hospital;
4. Add \$10,800,000 for Child and Adolescent Mental Health contracts;
5. Add \$8,880,000 for new and existing Group Home contracts;
6. Add \$6,657,400 for the 'Iwilei Behavioral Health Crisis Center and supportive housing services;
7. Add \$4,962,487 for early intervention services;
8. Add 10.0 Forensic Psychologists and \$971,119 for court evaluations for Hawai'i State Hospital admissions and referrals; and
9. Add 1.0 Plumber position, 1.0 General Laborer position, and \$61,278 for Kalaupapa Settlement.

Department of Law Enforcement (LAW)

The Senate Draft of the executive budget for the Department of Law Enforcement makes general funds appropriations of \$47,789,505 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$43,542,923 in fiscal year 2025. Highlights for the Department of Law Enforcement include:

1. Add 50.0 positions and \$6,567,591 to increase law enforcement at airports and harbors;
2. Add \$2,600,000 to continue security guard services and security camera monitoring within the State Capitol District;
3. Add \$1,500,000 for the Law Enforcement Training Center;



4. Add \$1,265,600 to continue the Illegal Firework Task Force;
and
5. Add \$825,000 as non-recurring for the Gun Buyback Program.

Department of Labor and Industrial Relations (LBR)

The Senate Draft of the executive budget for the Department of Land and Natural Resources makes general funds appropriations of \$37,182,823 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$426,067,923 in fiscal year 2025. Highlights for the Department of Labor and Industrial Relations include:

1. Add \$10,000,000 for Grants-in-Aid pursuant to Chapter 42F, HRS;
2. Increase revolving fund ceiling by \$51,914 to provide pay equity for 3.0 Boiler Inspectors;
3. Increase federal fund ceiling by \$2,200,000 for Unemployment Insurance;
4. Increase special fund ceiling by \$300,000 for Labor Law Enforcement Special Fund; and
5. Increase federal fund ceiling by \$200,000 for veteran career counseling.

Department of Land and Natural Resources (LNR)

The Senate Draft of the executive budget for the Department of Land and Natural Resources makes general funds appropriations of \$115,653,464 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$222,245,131 in fiscal year 2025. Highlights for the Department of Land and Natural Resources include:

1. Add \$5,500,000 as non-recurring to improve forest and resource management for wildlife and invasive species;



2. Increase State Parks Special Fund ceiling by \$2,000,000 as non-recurring for equipment and motor vehicles;
3. Increase State Parks Special Fund ceiling by \$10,000,000 for repair and maintenance activities at state parks statewide;
4. Add 7.0 positions and \$484,448 for DLNR HR recruitment and retention; and
5. Increase Sport Fish Special Fund ceiling by \$800,000 for administrative costs.

Office of the Lieutenant Governor (LTG)

The Senate Draft of the executive budget for the Office of the Lieutenant Governor makes general funds appropriations of \$2,365,231 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$300,000 in fiscal year 2025. Your Committee proposes no changes to the budget for the Office of the Lieutenant Governor.

Department of Corrections and Rehabilitation (PSD)

The Senate Draft of the executive budget for the Department of Corrections and Rehabilitation makes general funds appropriations of \$303,095,682 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$15,334,137 in fiscal year 2025. Highlights for the Department of Corrections and Rehabilitation include:

1. Add \$50,000 to establish a Foster Pet Program; and
2. Add \$434,864 as non-recurring for utilities across various facilities.

Department of Taxation (TAX)

The Senate Draft of the executive budget for the Department of Taxation makes general funds appropriations of \$38,881,763 in



fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$3,627,620 in fiscal year 2025. Highlights for the Department of Taxation include:

1. Add 1.0 Senior Software Developer position and \$63,096;
2. Add \$98,000 for security equipment and vehicle contracts;
and
3. Add \$11,800 for the Multi-Factor Authentication System.

Department of Transportation (TRN)

The Senate Draft of the executive budget for the Department of Transportation makes general funds appropriations of \$5,000,000 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$1,457,256,517 in fiscal year 2025. Highlights for the Department of Transportation include:

1. Add \$5,000,000 as non-recurring for the Stored Property and Debris Removal Program;
2. Increase the DOT Airports Division's special fund ceiling by \$10,000,000 as non-recurring to renovate airport terminals;
3. Increase the DOT Highways Division's special fund ceiling by \$3,000,000 for roadside safety maintenance; and
4. Increase the DOT Highways Division's special fund ceiling by \$1,250,000 as non-recurring for Google safety analytics.

University of Hawaii (UOH)

The Senate Draft of the executive budget for the University of Hawaii makes general funds appropriations of \$645,818,805 in fiscal year 2025. The Senate Draft also makes non-general fund appropriations of \$707,618,291 in fiscal year 2025. Highlights for the University of Hawaii include:



1. Add \$17,526,848 as non-recurring to restore funds to pre-pandemic levels;
2. Add 5.0 positions and \$506,555 for CTAHR Extension Agents;
3. Add 6.5 positions and \$1,068,821 for a nursing collaboration between UH Mānoa and UH West O'ahu;
4. Add 4.0 positions and \$925,000 for enhancement of the neighbor island health access and pathway program;
5. Add 4.0 positions and \$1,208,020 for increased campus safety; and
6. Add \$3,700,000 as non-recurring for the Promise Program at UH Community Colleges.

PART VII. CAPITAL IMPROVEMENTS PROGRAM BUDGET

The Governor proposed a state capital improvement budget to the Legislature with the following totals:

Governor	FY24	FY25
General Funds	\$384,265,000	\$148,677,000
General Obligation Bond	\$887,237,000	\$1,229,093,000
All Means of Financing	\$2,933,046,000	\$4,196,220,000

Your Committee has further amended this measure and proposes a capital improvement budget with the following totals:

Senate Draft	FY24	FY25
General Funds	\$374,265,000	\$443,248,000
General Obligation Bond	\$879,737,000	\$1,032,960,000
All Means of Financing	\$2,905,646,000	\$4,285,608,000

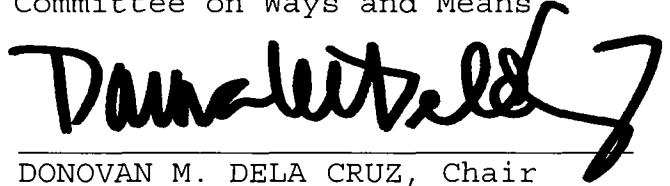
PART VIII. RECOMMENDATION

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your



Committee is in accord with the intent and purpose of H.B. No. 1800, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1800, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

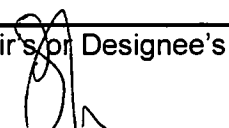
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means


DONOVAN M. DELA CRUZ, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB 1800 HD 1	Committee Referral: WAM	Date: 3/27/2024		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn	X			
HASHIMOTO, Troy N.	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris	X			
SHIMABUKURO, Maile S.L.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	13	0	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes