



It is half time at the state legislature and out of 1600 bills introduced in the House of Representatives, approximately 300 bills crossed over to the Senate. The Senate likewise will be sending over about 300 bills. Many of these bills are House companion bills so in the end, there may be about 200 new laws.

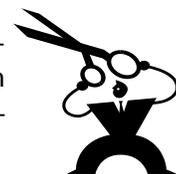
That's a pretty good vetting process in my opinion. The legislature started with a combined 3000 bills between the House and Senate. Approximately 200 will survive and become law. It just goes to show how difficult it is to get new laws passed; which is a good thing. Our office will be mailing out an end of session legislative report that will provide you with information on many bills of interest.

One of the most important bills that crossed over to the Senate at half time is the budget bill. The House of Representatives historically has the first crack at the budget. This year, as in the past three years, we faced a deficit. But what exactly is a deficit? Well, a deficit is the amount of money that is less than the prior year's budget.

So for instance, when you hear that we are short \$800 million dollars, we have \$800 million dollars less than the prior year's biennium budget. The problem is compounded because in the prior biennium budget there was a deficit of \$1.7 billion dollars.

If you remember, this was our strategy in the past biennium; we balanced the budget by, cutting government expenditures to cover half the deficit, transferred special funds, got money from the federal government (ARRA) to cover the next 20% and last, raised taxes to cover the last 10%. But the bottom line is we balanced the budget by cutting overall spending by government. We had no choice.

Many of the government cuts were very painful. As a reminder, here are the ways we cut spending: furlough Fridays for our children, cuts to Human Services (poor and homeless), cuts to Dept. of Health (restaurant and health inspectors), general government services (department furlough Fridays) and finally as we are finding out now, just plain old not paying our bills (ERS, EUTF, TANF, insurance premiums).



So here we are in a new biennium. It's a new day. We started with the budget that was prepared by the Lingle administration. That budget was \$5,568,000,000, very austere. The new administration recognized this and transmitted to the legislature "Governor's Message" for emergency appropriation to cover various items including unpaid bills for \$100,000,000. Then after exhaling, they set out to prepare their new budget. Governor Abercrombie realized that the government he inherited was broken.

Recognize that sometimes when you keep cutting monies out of a program you do not save money, you just grow inefficiencies. Governor Abercrombie's budget came in at \$5.702 billion dollars, almost \$134 million dollars higher than the former Governor Lingle's budget.

Now the House Finance committee gets our hands on the budget. Our perspective is a little more complex than the Governor's since we must add the opinions of our constituents into our analysis. As I have stated before, using political solutions to solve fiscal problems is by far, the most challenging experience of my financial career.

First, we did not approve any of the governor's new requests and then, we deleted another \$120 million dollars from his budget. The House Finance committee did this in anticipation of a further decline in revenue. This brought our House Finance committee budget to \$5,449.5 billion dollars, \$118.7 million dollars **lower** than Governor Lingle's budget. This is the budget we passed over to the Senate.



Unfortunately on March 10, 2010 the Council on Revenues lowered its revenue estimate by 2.5% which means the Senate Ways and Means Committee will now have to fill a hole of approximately \$125,000,000. This is over and above the cuts that we already made. No happy campers at the Capitol this year.

Before ending this issue of *Prevailing Winds*, let's give some thought to this, we all heard the stories of government inefficiency, waste and abuse, we also heard the cries to cut the size of government and government services. As policy makers we cannot ignore these concerns.

Therefore, I believe that we have now slashed departmental budgets to the point where inefficiencies have been created. We have Furlough Fridays, our kids have fewer instructional days, you see more homeless on the streets, and hear about deplorable conditions in our public housing. Cutting government spending may be politically popular as long as you're not affected. Look around and see the kind of world we've created.

At some point we have to say, we need to help the disabled, our children, the homeless, and the less fortunate. I believe we have reached that point. The time is



Aloha, Ivan W. Ohay

A Visual Comparison of the Three Budgets

