

STAND. COM. REP. NO. 3140

Honolulu, Hawaii

MAR 28 2014

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

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

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 1700, 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 adjust appropriations for the operating and capital budgets of executive branch agencies and programs.

Your Committee received testimony in support of this measure from the Office of the Governor; Office of the Lieutenant Governor; Department of Education; Department of Accounting and General Services; Department of Defense; Department of Taxation; Department of the Attorney General; Department of Commerce and Consumer Affairs; Department of Human Resources Development; University of Hawaii - Government Relations Office; Department of Transportation; Healthcare Transformation - Office of the Governor; State of Hawaii Deferred Compensation Plan Board; Hawaii State Commission on the Status of Women; Hawaii Housing Finance and Development Corporation; Office of Youth Services; Agribusiness Development Corporation; Hawaii Early Intervention Coordinating Council State of Hawaii; Land Agent - Department of Hawaiian Home Lands; Hawaii Tourism Authority; Office of Early Learning - Office of the Governor; Hawaii Public Housing Authority; Crime Victim Compensation Commission; State Public Charter School Commission; County of Kauai Office of the Prosecuting Attorney; County of Hawaii Office of the Mayor; County

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of Hawaii Office of the Prosecuting Attorney; the Hawaii County Councilmembers for Districts 3 and 9; County of Maui Office of the Mayor; County of Maui Department of Water Supply; City and County of Honolulu Department of the Prosecuting Attorney; Partners in Care; Hawaii Medical Association; A&B Properties Inc.; American Congress of Obstetricians and Gynecologists; The Trust for Public Land; Catholic Charities Hawaii; Hilo Medical Center Foundation; Blue Startups; PICHTR Energy Excelerator; Makai Ocean Engineering Inc.; CyberCom Inc.; Tapiki LLC; Hawaii Fish Company; Hawaii Fashion Incubator; Hawaii Consortium for Medicine and Health; Cardax Inc.; Hyperspective Studios Inc.; Kainalu Ranch; Mana'e Moku; Legal Aid Society of Hawaii; PV Tech; Terasys Technologies; Princeville Utilities Company Inc.; Tissue Genesis; Hawaii Educational Policy Center; Mauna Kea Infrared LLC; Cyanotech; Keahole Point Association; Global Optima Inc.; Hilo Medical Center; Terasys, HI Growth; University of Hawaii Professional Assembly; Leeward Housing Coalition; Japanese Chamber of Commerce and Industry; Oceanit; Hawaii Island Healthcare Alliance; Referentia Systems Incorporated; Financial Planning Hawaii; The Nature Conservancy of Hawaii; Enerdigm Ventures; Hilo Medical Center; Hawaii Island Family Medicine Residency; Hawaii Health Systems; Hilo Medical Center Medical Staff; Spectrum Photonics Inc.; Laborers' International Union of North America Local 368; Ikayzo Inc.; Dragontree Studios; Entrepreneurs Foundation of Hawaii; The Sex Abuse Treatment Center; Pas de Chocolat LLC; Renewable Ocean Energy Inc.; Oahu Army Natural Resources Program - US Army Garrison Hawaii; Ten Tomorrow; Hawaiian Cool Water LLC; 3D Innovations; Allison Izu LLC; The Cut Collective; LiveAction; Hawaii TechWorks; Labels That Talk Ltd.; Technical Research Associates Inc.; Nalukai; Hawaii Operating Engineers Industry Stabilization Fund; Island Film Group; Dev League LLC; Sudokrew LLC; Hawaii Game Management Advisory Commission; National Wild Turkey Federation; Hui for Excellence in Education; TerraSystems Inc.; SEE-RESCUE Corporation; Startup Weekend Honolulu; Slickage Studios LLC; Hawaii Green Growth; Honolulu Makerfaire; Haleakala Ranch; Ka'ono'ulu Ranch; Hawaii TechWorks; Puna Community Medical Center; Bishop Museum; Child and Family Service; YWCA of Kauai; YWCA of Hawaii Island; Ho'ola Lahui Hawai'i; High Technology Development Corporation; Hawaii Food Manufacturers Association; isisHawaii; OrientTech; Kamehameha Schools; PHOCUSED; Hawaii Association for the Education of Youth Children; Hilo Medical Center Foundation; Saturation Point; Ho'okako'o Corporation; The Chamber of Commerce Hawaii; and fifty-one individuals.



Your Committee received testimony in opposition to this measure from Aloha State Association of the Deaf and nineteen individuals.

Your Committee received comments on this measure from the Department of Budget and Finance; Department of Public Safety; Department of Business, Economic Development, and Tourism; Department of Agriculture; Department of Land and Natural Resources; Department of Hawaiian Home Lands; Department of Human Services; Department of Health; Hawaii Strategic Development Corporation; State of Hawaii Office of Planning; Executive Office on Early Learning; Public Utilities Commission; Office of Community Services; State Council on Developmental Disabilities; Hawaii Strategic Development Corporation - HI Growth Initiative; Executive Office on Aging; State Foundation on Culture and the Arts; Domestic Violence Action Center; and seventy-seven individuals.

PART I. OVERVIEW

Your Committee has approved a Senate Draft of the executive supplemental budget bill that reduces the operating budget request submitted by the Administration. The Senate Draft appropriates \$105,714,792 in all funds, inclusive of \$41,427,003 in general funds, for fiscal year 2014-2015. The Senate Draft also reduces the appropriation for fiscal year 2013-2014 of all funds by \$92,507,527, the bulk of which is composed of general funds. In addition, the Senate Draft amends an Administration-proposed proviso to lapse, instead of transfer, \$7,000,000 in general funds that are no longer needed for certificate of participation payments (see item 22 in section 4 of the Senate Draft, which adds a section 38.1 to Act 134, Session Laws of Hawaii 2013). The following table displays the results of your Committee's actions.



	Fiscal Year 2013-14		Fiscal year 2014-15	
	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
Senate Draft Appropriation Adjustment	(39,092,891)	(38,814,391)	(167,897,318)	(158,727,613)
Unneeded COPS Reserve Lapse (See Section 38.1)	(7,000,000)	(7,000,000)	0	0
Net Change	(99,507,527)	(99,232,027)	105,714,792	41,427,003

Your Committee emphasizes that the total general fund reduction to the supplemental budget request in fiscal years 2013-2014 and 2014-2015 exceeds \$200 million.

In the interest of full disclosure, however, your Committee notes that a portion of the \$158.7 million general fund reduction in fiscal year 2014-2015 is taken from programs that the Senate intends to fund through separate bills. A reduction has been made of \$33.5 million to the University of Hawaii for employment costs because the Senate has passed S.B. No. 2816, S.D. 1, which appropriates to the University of Hawaii the same amount for the same purpose. Reductions also have been made of supplemental requests for the Hawaii Invasive Species Council, Kupuna Care, and other senior citizens programs. The Senate has passed joint majority package bills appropriating funds for those programs (see S.B. No. 2343, S.D. 1, and S.B. No. 2346, S.D. 1, H.D. 1).

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



	Fiscal Year 2013-14		Fiscal year 2014-15	
	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 Senate Draft	(92,507,527)	(92,232,027)	105,714,792	41,427,003
Total Appropriation	11,726,810,661	5,944,324,439	12,093,715,466	6,164,921,988

As shown in the table above, your Committee has approved an austere supplemental budget. In addition to reducing the Administration's request for fiscal year 2014-2015, your Committee has reduced general fund appropriations for the current fiscal year 2013-2014 that are not expected to be expended by the lapse date of June 30, 2014. Your Committee has chosen to take this affirmative action to make the savings available for legislative disposition during this Regular Session. If the appropriations were simply allowed to lapse on June 30, 2014, the Legislature would not have the opportunity to place the savings in the carryover balance or a reserve fund or, if deemed necessary, to appropriate the funds in separate bills for high priority programs.

Your Committee also has changed the means of financing for \$287.1 million proposed in the supplemental budget for capital improvement projects from general funds to general obligation bond funds.

PART II. GENERAL FUND REVENUES

Your Committee began preparation for an austere supplemental budget long before the convening of the Regular Session of 2014.



From monitoring actual monthly tax collections, your Committee became concerned about a potential shortfall in general fund revenues in fiscal year 2013-2014. Actual general fund tax revenue collections from July to November 2013 were 0.6 per cent less than collections during the same period in the previous fiscal year. Part of the difference was attributable to the diversion of \$55 million of general excise tax revenues to replenish the hurricane reserve trust fund and the timing of transmitting the 0.5 per cent general excise tax surcharge for the rail project to the City and County of Honolulu. Nevertheless, the -0.6 per cent growth was particularly disconcerting when compared against the Council on Revenues' September 5, 2013, projected general fund tax revenue growth of +4.1 per cent for fiscal year 2013-2014. Each percentage point equated to approximately \$50 million. Logically, the conclusion was that tax revenues would have had to accelerate substantially to meet the Council on Revenues' then projected +4.1 per cent growth rate for fiscal year 2013-2014.

On January 7, 2014, the Council on Revenues met as required by law. At that meeting, the Council revised its projection of general fund tax revenue growth for fiscal year 2013-2014 from +4.1 per cent to +3.3 per cent. This reduced growth rate resulted in \$43.6 million less in general fund tax revenues in fiscal year 2013-2014 and, due to compounding, \$49.7 million less in fiscal year 2014-2015. Coincidentally, at the same meeting, the Department of Budget and Finance reported that its estimate of general fund non-tax revenues would increase by \$46.1 million in fiscal year 2013 and \$34.6 million in fiscal year 2014-2015. This estimated non-tax revenue increase offset most of the projected tax revenue decrease. Indeed, the timing of the non-tax revenue change was fortuitous for maintaining the viability of the Administration's financial plan.

Approximately one week later, the Department of Taxation issued its preliminary statement on general fund tax revenue collections in December 2013. The department indicated that collections from July to December 2013 were 0.7 per cent less than the collections during the comparable period in the previous fiscal year.

More alarmingly, general excise and use tax collections were 2.6 per cent less than collections during the comparable period in the previous fiscal year. This lag of general excise tax revenue



growth prompted the Administration to express, in the 2013 State Comprehensive Annual Financial Report (at p. 29), that:

Cumulative general fund tax revenues for the first six months of fiscal year 2014 were \$2.6 billion, a decrease of \$18.6 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, decreased 2.6% (underscoring added).

For the next month, January 2014, the Department of Taxation's report did not show improvement. General fund tax revenues from July 2013 to January 2014 were 1.1 per cent less than revenues during the comparable period in the previous fiscal year. Moreover, general excise and use tax collections were 2.3 per cent less. Your Committee had hoped that the holiday season would have reversed and then increased the trajectory of revenue growth. That, however, did not occur.

With this fiscal backdrop, the Council on Revenues again met on March 11, 2014. As expected, the Council further reduced the projected general fund tax revenue growth rate for fiscal year 2013-2014. The magnitude of the reduction was great, from 3.3 per cent to 0.0 per cent for fiscal year 2013-2014, from 7.4 per cent to 5.5 per cent for fiscal year 2014-2015, and from 7.7 per cent to 5.0 per cent for fiscal year 2015-2016. At the same meeting, the Department of Budget and Finance reported a slight decline of its general fund non-tax revenues estimate.

Obviously, the Council on Revenues' reduced projections resulted in a major decrease of general fund revenues expected in this and the next fiscal biennium. The following table displays the differences between the Council on Revenues' projections of March 11, 2014 and January 7, 2014, and the cumulative impact.

COUNCIL ON REVENUES -- TAX REVENUES (03/11/14)							
	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
COR 03/11/14	9.9%	0.0%	5.5%	5.0%	5.8%	6.2%	5.4%
	5,466.9	5,466.9	5,767.6	6,056.0	6,407.2	6,804.5	7,171.9
COR 01/07/14	9.9%	3.3%	7.4%	7.7%	5.7%	6.1%	5.5%
	5,466.9	5,647.3	6,065.2	6,532.3	6,904.6	7,325.8	7,728.7
DIFFERENCE	0.0	(180.4)	(297.6)	(476.3)	(497.4)	(521.3)	(556.8)



DEPARTMENT OF BUDGET & FINANCE -- NON-TAX REVENUES							
COR 03/11/14	766.1	666.6	592.4	587.6	602.1	604.8	612.7
COR 01/07/14	766.1	675.7	597.1	596.2	607.4	613.4	620.5
DIFFERENCE	0.0	(9.1)	(4.7)	(8.6)	(5.3)	(8.6)	(7.8)
TOTAL TAX & NON-TAX REVENUES							
COR 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 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							
FY 2013-14	NA	(189.5)	(189.5)	(189.5)	(189.5)	(189.5)	(189.5)
FY 2014-15	NA	NA	(302.3)	(302.3)	(302.3)	(302.3)	(302.3)
FY 2015-16	NA	NA	NA	(484.9)	(484.9)	(484.9)	(484.9)
FY 2016-17	NA	NA	NA	NA	(502.7)	(502.7)	(502.7)
FY 2017-18	NA	NA	NA	NA	NA	(529.9)	(529.9)
FY 2018-19	NA	NA	NA	NA	NA	NA	(564.6)
TOTAL	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 the state budgets are \$189.5 million less in fiscal year 2013-2014 and \$491.8 million less in fiscal year 2014-2015.

Thus, your Committee has developed this Senate Draft of the executive supplemental budget with an extra measure of its usual prudence, sense of responsibility, good judgment, and willingness to make difficult decisions among many competing demands.

Despite the cutbacks from the Administration's original supplemental budget request, your Committee is confident that this Senate Draft funds most of the higher priorities of the executive departments and, more importantly, the priorities of the Senate.

PART III. ECONOMY

Your Committee does not believe that the decrease of projected general fund tax revenues represents an economy in jeopardy. Your Committee agrees with both the Department of Business, Economic Development, and Tourism (DBEDT) and University of Hawaii Economic Research Organization (UHERO) that, in general, the economy will continue to grow, but at a slower pace.



DBEDT, in its Quarterly Statistical & Economic Report, 1st Quarter 2014, Executive Summary (at page 5), states:

Hawaii's economy is expected to continue positive growth at above 2.0 percent level between 2014 and 2017. Overall, the current DBEDT forecast is slightly less optimistic compared with the previous forecast.

UHERO, in its UHERO State Forecast Update, Public Summary, dated February 28, 2014, (at page 5), states:

Our projections for 2014 growth have been marked down somewhat since our last forecast -- by about half a percent for both jobs and income. Still overall economic performance this year will be better than a disappointing 2013.

PART IV. OPERATING BUDGET

Accounting and General Services

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$1,506,229 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 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 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.



Your Committee also approves \$1,000,000 in general funds to replace existing Windows XP personal computers and migrate from XP to newer operating systems statewide. Because Microsoft will no longer support the Windows XP operating system, these systems are more vulnerable to viruses, malicious attacks, and electronic data losses with limited means for data recovery. The procurement of Windows 7/Windows 8 enterprise licenses will create operational efficiencies and ensure continued support for security patches, technical assistance, and software and content updates from the manufacturer.

The Senate Draft of the executive supplemental budget also makes other significant adjustments, including the following:

- (1) Adding \$378,973 in special funds and \$1,000 in general 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 Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$188,269 in general funds and \$1,431,671 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.

Your Committee also approves eight positions and \$188,269 in general funds to address concerns on pesticide use. Five positions will conduct pesticide inspections and maintain pesticide surveillance activities. Two positions will 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 approves \$400,000 in revolving funds for operating and maintenance costs in the Pesticides Branch.



The Senate Draft of the executive supplemental budget 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 Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$1,544,387 in general funds and \$1,391,196 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 approves five positions and \$648,713 in interdepartmental transfer funds to establish deputy attorney general positions for various state departments. The deputy attorneys generals will serve the Department of Education, the Office of Information Management Technology, the Department of Hawaiian Home Lands, the Department of Public Safety, and other departments charged with implementing the federal Patient Protection and Affordable Care Act.

Your Committee also approves \$500,000 in general funds for the litigation fund for special deputies and expert witnesses. This fund will be used to acquire services to represent the State in significant cases including, the State of Hawaii v. Matson, Kalima v. State of Hawaii, and James Dannenberg et al. v. State of Hawaii.

Your Committee also approves \$357,000 in general funds for the creation of a Major Litigation Division to manage cases with substantial cost and exposure. This unit will handle litigation that requires close attention under direct supervision from the



Attorney General. The cases handled by this unit may involve policy areas that are complex, confidential, sensitive, or of an emergency nature.

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

The Senate Draft of the executive supplemental budget also makes other significant adjustments, including the following:

- (1) Adding \$800,000 in other federal funds for anticipated federal awards in State Criminal Justice Information and Identification (ATG231/BC);
- (2) Adding \$200,000 in general funds for the Automated Fingerprint Identification System upgrades and lease financing in State Criminal Justice Information and Identification;
- (3) Adding two positions and \$108,212 in interdepartmental transfer funds for legal representation of the Department of Public Safety (ATG100); and
- (4) Adding one position and \$100,000 in general funds for technology upgrades (ATG100/AA).

Budget and Finance

The Senate 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, for fiscal year 2014-2015, reducing its general fund appropriation by \$31,419,389 and adding \$1,082,968 in non-general funds. The Administration's supplemental budget request reduced the department's general fund appropriation for fiscal year 2013-2014 by \$53,417,636 and adjusted the fiscal year 2014-2015 appropriation by reducing its general fund appropriation by \$25,586,719 and adding \$1,246,619 in non-general funds.

Your Committee approves \$15,185,356 in fiscal year 2013-2014 and \$15,292,859 in fiscal year 2014-2015 in general funds for pension accumulation and Social Security/Medicare payments. These



appropriations provide for required retirement contributions for the State, Department of Education, and University of Hawaii.

Your Committee 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 an errant calculation. This amount was requested under EDN600. However, your Committee more appropriately places the appropriation under BUF101.

Business, Economic Development, and Tourism

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$4,135,000 in general funds and \$64,574,288 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 approves \$500,000 in special funds for the advancement and commercialization of new energy technologies in furtherance of clean energy goals set forth by sections 269-92 and 269-93, Hawaii Revised Statutes. The department identified the locally based Energy Excelerator start-up program as an ideal resource for the State to maximize cost effective investments in clean energy production and innovation. These funds will provide leverage with federal and private resources to deploy as investment capital for portfolio companies within the Energy Excelerator, through its parent non-profit, the Pacific International Center for High Technology Research.

Your Committee 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. The approval of these funds effectively 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. Maximum utilization of the proceeds as low-cost capital 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.

Your Committee also approves \$3,500,000 in general funds as additional investment capital for the HI Growth Initiative



Investment program, administered under the Hawaii Strategic Development Corporation (HSDC). The program blends state, private, and federal funding sources for investment strategies that promote entrepreneurial development, research commercialization, and the creation of Hawaii-based investment funds, effectuating high-wage job opportunities and partnerships with global investment communities.

The Senate Draft of the executive supplemental budget also makes other significant adjustments, including the following:

- (1) Adding \$160,000 in general funds for the creative lab accelerator program in Creative Industries (BED105);
- (2) Adding \$475,000 in special funds for subject matter expertise for advancement of renewable energy projects in Environment and Energy Development (BED120);
- (3) 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);
- (4) Adding \$200,000 in special funds for subject matter expertise on performance contracting for state energy projects in Environment and Energy Development (BED120); and
- (5) Adding \$400,000 in general funds for economic studies in Economic Planning and Research (BED130).

Commerce and Consumer Affairs

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$3,779,634 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 approves \$700,000 in special funds for consultants to handle new and complex issues affecting renewable energy initiatives. Consultants will offer additional analysis intended to expedite and facilitate actions critical to Hawaii's utility regulatory efforts.



Your Committee 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 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 Senate Draft of the executive supplemental budget 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 Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$1,335,641 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 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. Your Committee 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. Real estate and maintenance costs are anticipated to increase,



including costs for grounds, refuse, custodial contract, and supplies.

Your Committee 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 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.

Education

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$35,362,656 in general funds and \$1,888,850 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.

Regular Education

Your Committee 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 their use shall not be directed by the central office.

Your Committee 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 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 limiting Special Education availability to persons age twenty and under. 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 also approves twenty-two temporary positions and \$2,000,000 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 measurable objectives and supports of 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 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. Because of the unique geography of Hawaii, reductions in program funding have created additional challenges for neighbor island schools as athletes must travel to compete. Funding cuts have led to smaller rosters, fewer opportunities to attend events, equipment that is worn, and a department-wide athletics staff that is reduced by forty positions. This appropriation will help restore funding to historically budgeted levels.

The Senate Draft of the executive supplemental budget also makes other significant adjustments, including the following:

- (1) Adding \$600,000 in general funds for the Educator Evaluation System to survey student perception and to certify administrators in the classroom observation framework in Instructional Support (EDN200/GD);



- (2) Adding \$592,000 in general funds for the sabbatical leave program for teachers in Instructional Support (EDN200/GH); and
- (3) Adding \$579,208 in general funds for the Professional Development Management System (PDE3) annual subscription in the State Administration (EDN300/KO).

Libraries

Your Committee approves \$600,000 in general funds to support operational expenses for fiber optic connectivity at all public libraries. Through a number of Broadband Technology Opportunities Program (BTOP) Grants, the Hawaii State Public Library System has been able to complete 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 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. While the Public Library system has managed to cover additional expenditures under its present operating budget, the costs can no longer be accommodated without negatively impacting library functions.

Charter Schools

Your Committee approves three positions, \$1,888,850 in federal funds and \$62,000 in general funds for the Public Charter Schools' federal program support staff and federal grants. Of the \$1,888,850 in federal funds received by the State Charter School Commission, \$1,379,600 will be directly transferred out to the schools. The remaining \$509,250 will be used by the Commission to provide resource teachers, fund professional development, and implement school improvement programs.

Your Committee also approves \$217,054 in general funds for per pupil funding for charter school students comparable to regular education students. This amount was calculated using general fund amounts appropriated by the Senate 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 Charter School Commission provided your Committee with an updated projected enrollment of 10,940 students for the 2014-2015 school year. This is a decrease from the 11,350 student projection upon which the supplemental request was developed. Based on these figures, the Senate Draft of the executive supplemental budget provides an average general fund amount for each charter school and regular education student of \$6,260. 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 Senate Draft approves \$5,720,208 in general funds for early learning programs under GOV100 to establish school readiness programs. Act 178, Session Laws of Hawaii 2012, repealed the junior kindergarten program and required that, beginning with the 2014-2015 school year, a child must be five years old by July 31 of the school year to attend public school kindergarten. The Department of Education estimated that this would result in approximately 5,100 late-born children being displaced from kindergarten classrooms in school year 2014-2015. This appropriation includes \$4,470,208 to allow an estimated six hundred forty children to attend pre-kindergarten classes in a statewide pilot partnership with the Department of Education. Of this appropriation, \$1,250,000 will allow an additional five hundred children to access alternative pre-school education services through contracts with family child interaction learning providers. This appropriation and an appropriation for the Preschool Open Doors program will provide early learning opportunities for approximately 2,740 children.

Hawaiian Home Lands

The Senate 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 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 (enacted as Act 134, Session Laws of Hawaii 2013) are hereby incorporated by reference.

Your Committee 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 leaves in the Senate 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 does not intend that the \$10.8 million net trust fund appropriation be construed as a ceiling prohibiting the Department from expending trust funds above that amount for programs and projects to fulfill its duties. Your Committee finds that the Department has the authority to expend trust funds at its discretion. Your Committee 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 Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$765,959 in general funds and reducing \$1,912,412 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.

Your Committee approves \$3,256,433 in general funds for the home- and community-based services waiver program administered by the department's Developmental Disabilities Division. Of this amount, \$1,183,384 will 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. The remaining \$2,073,049 in general funds shall provide for anticipated costs that will result from the *Korab, et al. v. McManaman, et al.* court ruling, as interpreted by the Attorney General, which expands eligibility for waiver services to the developmentally disabled citizens of Compact of Free Association states.



Your Committee approves \$1,232,495 in general funds for Early Intervention Section purchase of services contracts. The state Early Intervention Section 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 Early Intervention Services (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 Senate Draft addresses a projected shortfall in fiscal year 2014-2015 and prevents an unlawful diminution of services that may result from insufficient funding.

The Senate Draft of the executive supplemental budget also makes other significant adjustments, including the following:

- (1) Transferring thirty-nine positions, seven temporary positions, and \$2,466,158 in general funds within the Developmental Disabilities Division to implement the approved December 2011 reorganization (HTH501);
- (2) 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);
- (3) Adding \$797,000 in other federal funds for upgrades to the Hawaii criminal background check system in Health Care Assurance (HTH720/MP); and
- (4) Adding \$330,000 in special funds for statewide emergency ambulance services in Emergency Medical Services (HTH730/MQ).

To support community-based programs designed to provide services for all elder persons in the State, your Committee supports appropriations through joint majority package bills, S.B. No. 2346, S.D. 1, H.D. 1/H.B. No. 1713, S.D. 1. These measures include additional funds for kupuna care services, statewide aging and disability resource centers, and the healthy aging partnership program.

Hawaii Health Systems Corporation



Your Committee approves \$4,520,000 in general funds for fiscal year 2014-2015 for the Hawaii Health Systems Corporation (HHSC). In addition to operational deficiencies and collective bargaining shortfalls, HHSC continues to experience declines in federal reimbursements for Medicaid and Medicare payments. This adjustment is intended to help mitigate the impacts of the Federal Deficit Reduction Act and budget sequestration.

Human Services

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$ 16,383,536 in general funds and \$53,251,273 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.

Your Committee 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 pilot and is expected to afford transitional housing support and stability services to chronic homeless individuals throughout the State.

Your Committee 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 (USDA) 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 0-5; \$650 for children 6-11; and \$676 for youth 12-21 years of age. Hawaii's monthly foster care board rate is currently \$529.

Your Committee approves \$3,000,000 in general funds to accommodate the restructured co-payments under the Preschool Open Door Program and to expand the program to an additional four hundred income-eligible children. This is over and above the one thousand two hundred children contemplated by the supplemental budget request. According to the Administration's estimates, the Senate's proposed executive supplemental budget for the Preschool Open Doors program will create affordable early learning



opportunities for approximately one thousand six hundred children throughout the State.

Your Committee 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' Med Quest Division to consolidate payments and services for adults with severe and persistent mental illness (SMI) who are Medicaid eligible. The consolidation of the payment and provision of these services under Med Quest draws an additional \$1,870,177 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 Senate Draft of the executive supplemental budget 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);
- (2) Adding \$147,147 in general funds for the adult protective services best practices model in Adult and Community Care Services (HMS601);
- (3) Adding \$300,000 in general funds for the Comprehensive Services Center for the deaf, deaf-blind, and hard-of-hearing in Vocational Rehabilitation (HMS802);
- (4) Adding \$450,000 in general funds and \$3,650,000 in federal funds for the KOLEA system in General Support for Health Care Payments (HMS902);
- (5) 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); and
- (6) Adding \$300,000 in federal funds for outreach services to families and individuals who may qualify for benefits under the Supplemental Nutrition Assistance Program (SNAP) in General Support for Self-Sufficiency Services (HMS903).



Labor and Industrial Relations

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$20,372 in general funds and reducing \$33,522,368 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 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 18e status of the Occupational Safety and Health Act of 1970, to retain the program under state purview.

Land and Natural Resources

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$4,172,536 in general funds and \$16,447,741 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 approves eleven temporary positions, \$2,500,000 in general funds, and \$1,000,000 in special funds for the watershed program. These positions and funds work to manage and protect watersheds across the State to ensure long-term fresh water security. The program also reduces flooding, erosion, and damage to reefs and fisheries from runoff as forests are protected and restored.

Your Committee also approves \$4,000,000 in general funds and special funds for the State's 2016 bid to host the International Union for Conservation 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 also approves twelve temporary positions and \$925,000 in general funds for the Community Fisheries Program. The funds will support the Maui pilot 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 Senate Draft of the executive supplemental budget 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 Senate Draft of the executive supplemental budget does not include \$1,000,000 in general funds for the Hawaii Invasive Species Council. Your Committee prefers to appropriate \$5,000,000 in general funds for the Council through a separate joint majority package bill, S.B. No. 2343/H.B. No. 1716.

Public Safety

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by reducing \$74,681 in general funds and adding \$127,116 in non-general funds. The Administration's supplemental budget request was to add \$4,099,594 in general funds and \$527,116 in non-general funds.



Your Committee 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 as well as reduce the State's liability in providing a minimum level of care.

Your Committee also approves twenty positions and \$519,860 in general funds for suicide and hospital watch at two correctional facilities on Oahu. These positions will provide dedicated adult correction 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.

The Senate Draft of the executive supplemental budget 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/EG);
- (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 Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$751,280 in general funds. The Administration's supplemental budget request was to add \$1,107,028 in general funds.

Your Committee approves \$223,656 in general funds for fourteen positions in various 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 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.

Transportation

The Senate Draft of the executive supplemental budget adjusts the department's appropriation for fiscal year 2014-2015 by adding \$28,160,892 in non-general funds. The Administration's supplemental budget request was to add \$27,660,892 in non-general funds.

Airports

Your Committee 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 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. Funds will provide human resources and equipment to address areas of failure.

Your Committee 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 Border and Protection at Honolulu International Airport.

Harbors



Your Committee approves \$1,500,000 in special funds for Honolulu Harbor and Kalaeloa 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 also approves six positions and \$733,514 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.

Highways

Your Committee 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 its occupants.

Your Committee 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 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 Senate Draft of the executive supplemental budget adjusts the University's appropriation for fiscal year 2014-2015 by adding \$1,000,000 in general funds and \$70,143,000 in non-general funds. The Administration's supplemental budget request was to add



\$37,526,775 in general funds and \$107,669,775 in non-general funds.

Your Committee approves eighty-nine positions and \$5,000,000 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.

The Senate Draft of the executive supplemental budget also makes other significant adjustments, including the following:

- (1) Adding \$47,443,000 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).

The Senate Draft of the executive supplemental budget does not include \$33,500,000 in general funds associated with collective bargaining costs of the University of Hawaii Professional Assembly (UHPA). Your Committee prefers to provide funding through a separate bill, S.B. No. 2816, S.D.1, which has passed the Senate. The 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.

V. CAPITAL IMPROVEMENTS PROGRAM BUDGET

Your Committee finds that the State's economic situation is not what was anticipated and revenues have not increased as



projected, causing the State to have less funds available to sustain additional long-term debt for capital improvement projects. In the first year of the biennium, the focus was on infusing funds into the economy, to create jobs and rebuild our aging infrastructure. Investments made in state facilities over the past biennium and the current biennium have produced a steady increase in job creation for the construction industry and economic growth. However, the importance of supporting capital improvement projects that will help diversify our economy has never been greater. Your Committee also recognizes the need to streamline government operations and allocate 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 took a more studied approach to the capital improvement program appropriations. Accordingly, your Committee, after carefully considering the current economy along with the proposals, needs, and priorities of the Administration and the departments, has provided a total of \$963,506,000 for fiscal year 2013-2014 and \$1,073,424,000 for fiscal year 2014-2015 for projects funded by general obligation bonds and \$4,245,505,000 in fiscal biennium 2013-2015 for projects funded by all means of financing. In comparison, the Administration's proposed capital improvement program biennium budget, as amended pursuant to Governor's Messages, provided a total of \$977,506,000 for fiscal year 2013-2014 and \$1,027,016,000 for fiscal year 2014-2015 for projects funded by general obligation bonds and general funds and \$4,948,908,000 in fiscal biennium 2013-2015 for projects funded by all means of financing.

Your Committee has crafted a capital improvement program budget that focused on funding both critical and significant capital projects that will accomplish the following:

- (1) Address critical health, safety, and code requirements, as well as backlogged repair and maintenance with significant appropriations for the Department of Education, Department of Human Services, Hawaii Health Systems Corporation, and the University of Hawaii System;
- (2) Upgrade and modernize information technology infrastructure, with over \$100 million for the



modernization of the public assistance eligibility system, as well as other departmental projects; and

- (3) Designate appropriations for projects needed to address future capacity needs, economic growth, and emergency preparedness. To these ends, your Committee included funding for the High Technology Development Corporation facility to continue diversifying our economy with a new business incubator. Once again, your Committee included funding for the College of Pharmacy building at the University of Hawaii at Hilo, to meet the needs of a critically needed and growing pharmacy program. Finally, your Committee appropriated funds for a First Responders Technology Campus and Cyber Security Command Center, to begin the long overdue process of combining all resources in the State available for natural or man-made emergency situations.

Your Committee has serious concerns regarding the state Department of Transportation's ability to manage and maintain the State's critical infrastructure, which directly contributes to the State's long-term economic viability. Your Committee is concerned that the department has not moved projects forward in a timely manner, possibly jeopardizing the availability of much needed federal funds for investment in airports, harbors, and highways. Your Committee has demonstrated its commitment to fiscal responsibility and departmental accountability by reducing the executive supplemental budget request for the Department of Transportation by over \$500 million. Therefore, the appropriation for fiscal biennium 2013-2015 is \$1,509,430,000 for the Department of Transportation. The only increases in appropriations address several critical airport projects, as well as making funds available for the department to complete and close-out older projects. By reducing the number of new projects funded, and funding close-out costs, your Committee is hopeful that substantial progress will be made on previously appropriated capital improvement transportation projects.

Your Committee recognizes the overwhelming need in the State for services provided by non-governmental groups and non-profit agencies. Therefore, your Committee appropriated over \$33 million for fiscal year 2014-2015 for capital improvement program grants to nonprofit organizations for facilities improvements and expansion to assist these vital organizations.

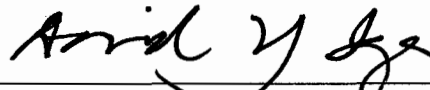


In addition, your Committee provided funding for various projects within the Department of Defense, Department of Agriculture, Department of Health, Department of Education, and the University of Hawaii, among others, to ensure that contributions of matching federal, private, and other funds may be maximized and not lost or forfeited.

Finally, the Senate Draft of the executive biennium budget provides funding for various other capital improvement program projects that your Committee believes should be included at this time, but that may warrant further discussion as the executive supplemental budget is further refined during the remainder of this Regular Session to meet the evolving needs and priorities of the State.

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. 1700, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1700, 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,



DAVID Y. IGE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB1700 HD1	WAM	3-27-14		
<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
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.	✓			
SLOM, Sam		✓		
	12	1	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes