

STAND. COM. REP. NO.

1286

Honolulu, Hawaii

APR 04 2017

RE: H.B. No. 100  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2017  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 100, 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 budget of the executive branch for the 2017-2019 fiscal biennium.

Your Committee received testimony in support of this measure from the Office of the Governor; Office of the Lieutenant Governor; Department of Accounting and General Services--Office of the Comptroller, Campaign Spending Commission, Office of Enterprise Technology Services, and Office of Information Practices; Department of Agriculture; Department of the Attorney General; Department of Budget and Finance; Department of Business, Economic Development and Tourism--Office of the Director, Hawaii Housing Finance and Development Corporation, and the High Technology Development Corporation; Department of Commerce and Consumer Affairs; Department of Defense; Department of Education--Office of the Superintendent, Hawaii State Public Charter School Commission; Department of Health--Executive Office on Aging; Office of Environmental Quality Control, State Council on Developmental Disabilities, and State Council on Mental Health; Department of Human Resources Development; Department of Human



Services--Office of the Director; Department of Labor and Industrial Relations; Department of Land and Natural Resources--Office of the Chairperson and the Kahoolawe Island Reserve Commission; Department of Public Safety; Department of Transportation; University of Hawaii--Cancer Center; City and County of Honolulu--Board of Water Supply and the Department of Community Services; County of Kauai--Department of Water; County of Maui--Department of Water Supply and the Office on Aging; AARP Hawaii; American Bird Conservancy; Associated Students of the University of Hawaii; Bay Clinic, Inc.; Ben Dyre Family Limited Partnership; Big Island Invasive Species Committee; Catholic Charities Hawaii; Child and Family Service; Community Clinic of Maui, Inc.; Community Coalition on Universal Healthcare Through Comprehensive Planning; Conservation Council for Hawai'i; Coordinating Group on Alien Pest Species (CGAPS); Democratic Party of Hawaii, Hawaiian Affairs Caucus; East Maui Watershed Partnership; FACE/Housing Now Coalition; Friends of Hakalau Forest National Wildlife Refuge; Friends of Lana'i; Full Life; Hale Kipa; Hamakua Health Center, Inc.; Hawai'i Green Growth; Hawaii Advocates For Consumer Rights; Hawaii Children's Action Network; Hawai'i Coalition for Immigration Reform; Hawaii County Democratic Party District 4 Council; Hawaii Fresh Water Initiative; Hawaii Meals on Wheels; Hawaii Primary Care Association; Hawaii Public Charter School Network; Hawaii State Teachers Association; Hawaii Wild Side LLC; Hawai'i Wildlife Fund; Hawaii Youth Services Network; Healthy Climate Communities; Hawaii Chapter of the Wildlife Society; HIplan; Kalihi Palama Hawaiian Civic Club; Kamehameha Schools; Kapaakea Hawaiian Homestead Association; Kaupo Ranch Ltd.; Kohala Watershed Partnership; Koolau Mountains Watershed Partnership; La i Opuua 2020; Maui Invasive Species Committee; Molokai Community Health Center; New Life Body of Christ Christian Church; North Shore Neighborhood Board #27; Oahu Army Natural Resource Program; One World One Water, LLC; Pacific Resource Partnership; Partners in Care; PHOCUSED; Princeville Utilities Company, Inc.; Progressive Democrats of Hawaii; Sierra Club of Hawai'i; Special Education Advisory Council; Stafford Capital Partners; The Kauai Watershed Alliance; The Kupuna Caucus of the Democratic Party of Hawaii; The Nature Conservancy; The Queen's Health Systems; Wahiawa General Hospital; West Maui Mountains Watershed Partnership; and one hundred seventy-two individuals.



Your Committee received testimony in opposition to this measure from The Trust for Public Land.

Your Committee received comments on this measure from Department of Business, Economic Development, and Tourism--Hawaii Strategic Development Corporation; Department of Commerce and Consumer Affairs--Public Utilities Commission; Department of Hawaiian Home Lands; Department of Health--Office of the Director and the Hawaii Health Systems Corporation; Department of Human Services--Hawaii Public Housing Authority; Department of Land and Natural Resources--Hawaii Invasive Species Council; Department of Taxation; University of Hawaii; County of Hawaii, Department of Water Supply; County of Maui, Kahoolawe Island Reserve Commission; Common Cause Hawaii; Democratic Party of Hawaii; Green Party of Hawaii; Hawaii Audubon Society; Hawaii Government Employees Association; Hawaiian Islands Land Trust; Healthcare For All Hawaii; Kauai Womens Caucus; Lana'i Changes; Oahu Invasive Species Committee; Reef Capital Ventures; Waimanalo Health Center; and thirty-nine individuals.

#### **PART I. OVERVIEW**

Given the unknown federal funding climate, rising fixed costs, and decline in state revenue collection, your Committee was assigned the difficult task of producing a budget that could help balance the six-year financial plan for the State while continuing necessary programs and services for the community.

With this in mind, your Committee focused on constructing a budget that:

- Funded fixed costs now, in order to reduce future liabilities and maintain a good credit-rating for the State;
- Continued essential programs, including those for healthcare, homelessness, education, and the environment;
- Protected social services that may sustain future reductions in federal funds; and



- Right-sized departments to run more efficiently through the elimination of redundant contract costs and long-standing vacancies.

The Administration's initial budget submittal to the Legislature added \$833,279,397 in general funds over the fiscal biennium. Throughout the course of session, the Administration submitted various Governor's Messages that adjusted its initial request, and reduced its requested general fund amount by \$91,035,451 for the fiscal biennium.

Your Committee has been well aware of the tax revenue situation for the State, and the likelihood that it would not improve enough to fully fund the Administration's budget proposal. Therefore, your Committee prioritized departments' core needs and identified operational redundancies that could be eliminated to save money. This was done against the backdrop of a lower economic growth rate, increasing community needs, and revised budget estimates for large fixed cost items such as pension payments. The Committee's efforts in balancing these priorities and the six-year financial plan resulted in a budget that reduced the Administration's request (as amended by Governor's Messages) by over \$113,000,000 in general funds over the fiscal biennium.

Rather than rely on appropriating one-year funding for recurring program needs or entirely eliminating essential social services, your Committee took a more precise approach by reviewing the details for every budget request as well as each departments' existing base budget in order to consider all possible ways to reduce costs without jeopardizing services or core functions of the State.

The following table displays the results of your Committee's actions.



	Fiscal year 2017-2018		Fiscal year 2018-2019	
	All Funds	General Funds	All Funds	General Funds
Executive Request (Including Governor's Messages #1, #2, #3 and #4)	\$458,337,625	\$252,025,122	\$675,599,421	\$490,218,824
Senate Draft Change To Executive Request	(\$71,534,232)	(\$62,857,390)	(\$768,818)	(\$50,929,112)

The net change made by the Senate Draft yields an executive budget for fiscal biennium 2017-2019 as follows:

	Fiscal year 2017-2018		Fiscal year 2018-2019	
	All Funds	General Funds	All Funds	General Funds
Executive Budget Act 124, SLH 2016	\$13,702,289,565	\$7,036,572,289	\$13,702,289,565	\$7,036,572,289
Net Change Of Senate Draft	\$386,803,393	\$189,167,732	\$674,830,603	439,289,712
Total Appropriation	\$14,089,092,958	\$7,225,740,021	\$14,377,120,168	\$7,475,862,001

Your Committee notes that the Administration submitted a memorandum, dated March 20, 2017, which proposed further general fund reductions. The memorandum was not submitted as a formal Governor's Message and came to your Committee late in the deliberation process. Despite the more informal nature and lateness of the submission, your Committee did review and evaluate the proposed reductions. Your Committee agreed to some proposed cuts, and rejected others.

## PART II. ECONOMY

The State of Hawaii is projected to experience continued growth. However, your Committee understands that while the



economic outlook for the State is positive, growth is happening at a slower rate, and your Committee must take this into consideration when drafting a fiscally responsible state budget. Your Committee finds that:

- (1) The University of Hawaii Economic Research Organization (UHERO) projects that the real gross domestic product will grow by 2.1 percent in 2017, 1.9 percent in 2018, and 1.8 percent in 2019. The unemployment rate is projected to be 3.2 percent in 2017, 2018, and 2019;
- (2) The Department of Business, Economic Development, and Tourism projects that the real gross domestic product will grow by 1.8 percent in 2017, 1.7 percent in 2018, and 1.6 percent in 2019. The civilian unemployment rate is projected to be 3.4 percent in 2017, 3.5 percent in 2018, and 3.6 percent in 2019; and
- (3) The economy has remained relatively stable at the national level as well. The Federal Reserve, which is tasked with setting the United States' monetary policy, raised the federal funds interest rate by a range between 0.75 percent and 1 percent on March 15, 2017. This is the second hike in three months, and while many financial institutions and experts believe the Federal Reserve should be implementing rate increases at a faster pace, many members on the Federal Reserve Board do not share this concern about inflation.

Janet Yellen, Chair of the Federal Reserve Board, indicated that she was hesitant to raise federal funds interest rates any faster. While she recognized steady growth in the U.S. economy, she nevertheless reaffirmed her belief that the board should continue with their plans to adjust the rate slowly to match the slow-growing economic indicators. Yellen stated, "The data have not notably strengthened. We haven't changed the outlook. We think we're moving on the same course we've been on."

Hawaii's economy appears to exemplify similar characteristics as that of the nation. Overall visitor arrivals and expenditures are estimated to continue to grow, but at a slower pace.



**PART III. GENERAL FUND REVENUES**

The slowing economy has resulted in lower than expected general fund tax revenues than when the Administration's initial budget was formulated.

On March 13, 2017, the Council on Revenues (COR) lowered its general fund tax revenue growth rate forecast from 3 percent to 2.5 percent for fiscal year 2016-2017. This was the second time the COR lowered its forecast for fiscal year 2016-2017. Earlier this year, the COR lowered its forecast for fiscal year 2016-2017 from 5.5 percent to 3 percent. The most recent projections estimate the growth rate to be 4 percent for fiscal years 2017-2018 and 2018-2019, and 4.5 percent for 2019-2020.

<b>COUNCIL ON REVENUES - DIFFERENCE IN GENERAL FUND TAX REVENUES BETWEEN FORECASTS OF MARCH 13, 2017, AND SEPTEMBER 2, 2016 (In \$Millions)</b>			
	<b>Fiscal Year 2016-2017</b>	<b>Fiscal Year 2017-2018</b>	<b>Fiscal Year 2018-2019</b>
<b>COR 03/13/17</b>	2.5%  \$6,349.2	4.0%  \$6,603.1	4.0%  6,867.3
<b>COR 09/12/16</b>	5.5%  \$6,535.0	5.0%  \$6,861.8	4.4%  \$7,163.7
<b>Difference</b>	<b>- \$185,831</b>	<b>- \$258,614</b>	<b>- \$296,404</b>

**PART IV. OPERATING BUDGET**Accounting and General Services

The Senate Draft of the executive budget adjusts the Department of Accounting and General Services' appropriation as follows:

- (1) For fiscal year 2017-2018, by reducing \$1,709,249 in general funds and \$14,809,085 in non-general funds; and



- (2) For fiscal year 2018-2019, by reducing \$1,533,704 in general funds and \$19,034,085 in non-general funds.

The Administration's request was to add \$125,438 in general funds and reduce \$14,809,085 in non-general funds for fiscal year 2017-2018 and reduce \$130,829 in general funds and \$19,034,085 in non-general funds for fiscal year 2018-2019.

Your Committee recognizes that one of the primary functions of the Department of Accounting and General Services is to maintain the State's accounting system, which requires up-to-date financial infrastructure. The Department's new payroll and time and attendance systems will replace the existing payroll system that still relies on paper processes. To this end, your Committee has continued funding and support for the maintenance and operations of these systems by providing 8.00 positions and \$4,323,008 for fiscal year 2017-2018 and 11.00 positions and \$4,452,310 for fiscal year 2018-2019 in general funds.

Your Committee has also provided 5.00 positions and \$505,585 in general funds for each fiscal year to fund operating expenses for the Campaign Spending Commission. By shifting operating expenses for the Commission from trust funds to general funds, the original intention of the Hawaii Election Campaign Fund - to support the public financing of campaigns - can be restored.

#### *Office of Enterprise Technology Services*

Your Committee recognizes and appreciates the work that the Office of Enterprise Technology Services is conducting for the State, as well as the operational efficiencies that the Office is implementing through contract negotiations and identification of redundancies. One example of this is the carrier circuit and collocation costs for the State, in which the Office identified redundant lines and was able to reduce the funds needed to continue infrastructure maintenance. These funds are used to support network and infrastructure for essential government services, including those for health and public safety. Your Committee provided \$3,175,000 in general funds for each fiscal year to support this ongoing cost.

Your Committee understands that staffing the Office of Enterprise Technology Services requires trading-off unnecessary





positions for those that can recruit more competitive applicants. Therefore, your Committee has provided 2.00 positions and \$120,000 for fiscal year 2017-2018 and \$240,000 for fiscal year 2018-2019 in general funds for network and security engineers. Your Committee appreciates the Office's willingness to reduce 14.00 positions and \$1,054,320 in general funds for each fiscal year in order to eliminate positions that are no longer needed. Additionally, your Committee has transferred 2.00 vacant positions from the Department of Human Resources Development that can be used to further help support the needs of the Office.

### Agriculture

The Senate Draft of the executive budget adjusts the Department of Agriculture's appropriation as follows:

- (1) For fiscal year 2017-2018, by reducing \$229,631 in general funds and adding \$943,490 in non-general funds; and
- (2) For fiscal year 2018-2019, by reducing \$176,529 in general funds and adding \$862,136 in non-general funds.

The Administration's request was to add \$6,407,047 in general funds and \$2,666,977 in non-general funds for fiscal year 2017-2018 and reduce \$985,133 in general funds and add \$1,099,450 in non-general funds for fiscal year 2018-2019.

Your Committee provided a one-time appropriation of \$500,000 in general funds last year to address concerns related to pesticide use following a Joint-Fact Finding Study Group on Kauai. In order to continue this effort, your Committee provided \$750,000 for each fiscal year to allow the Department of Agriculture to assess and establish health, environmental, and agricultural standards related to pesticide exposure. Additionally, your Committee appropriated 3.00 positions and \$79,236 for fiscal year 2017-2018 and \$158,472 for fiscal year 2018-2019 in general funds for additional support for pesticide compliance.

Act 106, Session Laws of Hawaii 2016, created the Agricultural Food Safety Certification Program, which allows the Department of Agriculture to comply with the federal Food Safety Modernization Act. As such, your Committee appropriated 2.00



positions and \$226,134 for fiscal year 2017-2018 and \$200,000 for fiscal year 2018-2019 in general funds to continue funding for this program, which provides research, education, and information related to food safety laws and compliance.

#### Attorney General

The Senate Draft of the executive budget adjusts the Department of the Attorney General's appropriation as follows:

- (1) For fiscal year 2017-2018, by reducing \$727,844 in general funds and adding \$1,833,680 in non-general funds; and
- (2) For fiscal year 2018-2019, by reducing \$727,844 in general funds and adding \$1,799,156 in non-general funds.

The Administration's request was to add \$2,691,320 in general funds and \$3,225,998 in non-general funds for fiscal year 2017-2018 and \$2,641,320 in general funds and \$3,191,474 in non-general funds for fiscal year 2018-2019.

Act 161, Session Laws of Hawaii 2016, established an independent review board to make non-binding recommendations on criminal prosecution in instances where an officer-involved death occurred. Your Committee understands that the implementation of this Act requires funding and has therefore provided 1.00 legal clerk position and \$50,000 in general funds for each fiscal year to support establishment of this review board and thereby increase law enforcement transparency and accountability.

Your Committee also supports the work of the State Criminal Justice Information and Identification program and its operation of the 24x7 Criminal Justice Information Repository System. This system provides essential information to law enforcement and criminal justice agencies throughout the State, and requires software maintenance. Therefore, your Committee approved \$110,000 in general funds for each fiscal year to support the technical needs of this heavily utilized repository.



Budget and Finance

The Senate Draft of the executive budget adjusts the Department of Budget and Finance's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$16,878,021 in general funds and reducing \$3,449,038 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$240,195,865 in general funds and reducing \$6,616,972 in non-general funds.

The Administration's request was to add \$14,473,467 in general funds and reduce \$3,554,111 in non-general funds for fiscal year 2017-2018 and add \$237,814,627 in general funds and reduce \$6,722,045 in non-general funds for fiscal year 2018-2019.

Many of the State's non-discretionary cost items are centrally budgeted in the Department of Budget and Finance. These costs have seen substantial increases over the past several years and include pension benefits and healthcare insurance for active state employees and retirees, as well as other post-employment benefits. Due to recently revised actuarial projections, additional employer contributions are required to address the growing pension shortfall. Therefore, your Committee has provided \$34,625,428 for fiscal year 2017-2018 and \$70,673,178 for fiscal year 2018-2019 in general funds in order to gradually phase-in these additional employer contribution costs. Phasing-in these costs now is a mechanism to address a growing long-term liability for the State, as well as to ensure that resources remain available to fund current needs and priorities.

Your Committee also recognizes the State's commitment to provide separation benefits for employees affected by the transfer of the Hawaii Health Systems Corporation's Maui Region to Kaiser Permanente pursuant to Act 103, Session Laws of 2015. Therefore, your Committee provided \$30,637,298 in general funds for fiscal year 2017-2018 to assist public employees who may be displaced due to the transfer.

To help offset these funding needs, your Committee looked into the budget assumptions that the Department uses when



projecting the costs for their debt-service and fringe benefit requirements. By conservatively revising these assumptions based on current market conditions and recent lapse data, your Committee saved \$6,343,750 for fiscal year 2017-2018 and \$17,468,750 for fiscal year 2018-2019 in general funds.

#### Business, Economic Development, and Tourism

The Senate Draft of the executive budget adjusts the Department of Business, Economic Development, and Tourism's appropriation as follows:

- (1) For fiscal year 2017-2018, by reducing \$2,595,349 in general funds and \$71,093,943 in non-general funds; and
- (2) For fiscal year 2018-2019, by reducing \$3,594,477 in general funds and \$70,549,943 in non-general funds.

The Administration's request was to add \$3,581,055 in general funds and reduce \$58,568,838 in non-general funds for fiscal year 2017-2018 and reduce \$1,257,489 in general funds and \$114,362,838 in non-general funds for fiscal year 2018-2019.

Your Committee recognizes the need for more affordable housing and transit-oriented development. As such, your Committee provided 1.00 planner position and \$27,718 in general funds for fiscal year 2017-2018 and \$55,236 in general funds for fiscal year 2018-2019 to continue the efforts of the Special Action Team on Affordable Rental Housing created through Act 127, Session Laws of Hawaii 2016. Your Committee also provided 1.00 planner position and \$29,868 in general funds for fiscal year 2017-2018 and \$59,736 in general funds for fiscal year 2018-2019 to support the Inter-Agency Council for Transit-Oriented Development projects created through Act 130, Session Laws of Hawaii 2016. Your Committee has further provided 1.00 planner position and \$25,386 in general funds for fiscal year 2017-2018 and \$50,772 in general funds for fiscal year 2018-2019 to ensure compliance with Land Use Commission decisions and orders.

Your Committee understands the contributions of small businesses to economic development. As such, your Committee provided 1.00 permanent position and \$14,000 in general funds for fiscal year 2017-2018 and \$28,000 in general funds for fiscal year



2018-2019 to assist the Small Business Regulatory Review Board in its duties to identify and comment on the business impacts of existing administrative rules and regulations.

#### Commerce and Consumer Affairs

The Senate Draft of the executive budget adjusts the Department of Commerce and Consumer Affairs' appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$3,780,225 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$3,366,716 in non-general funds.

The Administration's request was to add \$7,577,865 in non-general funds for fiscal year 2017-2018 and \$6,007,392 in non-general funds and for fiscal year 2018-2019.

Your Committee approved 1.00 position and \$42,400 in trust funds for fiscal year 2017-2018 and \$84,000 in trust funds for fiscal year 2018-2019 for condominium education. Your Committee recognizes the necessity for a resource that provides important information to the community regarding transactions surrounding condominiums. Your Committee understands the importance of eliminating confusion and distress regarding housing.

Your Committee also recognizes the need for consultants regarding important energy and utility cases that impact the daily lives of the residents of Hawaii. These upcoming cases will lay the blueprints for Hawaii's energy future. Your Committee approved \$200,000 in special funds for fiscal year 2017-2018 for consultant services to meet this need.

#### Defense

The Senate Draft of the executive budget adjusts the Department of Defense's appropriation as follows:

- (1) For fiscal year 2017-2018, by reducing \$1,270,723 in general funds and adding \$376,292 in non-general funds; and



- (2) For fiscal year 2018-2019, by reducing \$1,509,722 in general funds and \$1,382,808 in non-general funds.

The Administration's request was to reduce \$1,035,255 in general funds and \$1,583,563 in non-general funds for fiscal year 2017-2018 and \$1,557,728 in general funds and \$1,503,563 in non-general funds for fiscal year 2018-2019.

Your Committee recognizes the importance of honoring and supporting our veterans. Your Committee has provided 1.00 Veterans Services Counselor position and \$50,772 in general funds for each fiscal year. Your Committee is also aware of the significant safety hazards identified at the Hawaii State Veterans Cemetery. Therefore your Committee has provided \$768,000 in general funds for fiscal year 2017-2018 and \$464,000 in general funds for fiscal year 2018-2019 for tree trimming and removal.

In support of the Department of Defense's efforts to improve its financial management and accountability, your Committee has provided 2.00 positions and \$48,223 in general funds for fiscal year 2017-2018 and \$86,346 in general funds for fiscal year 2018-2019 for fiscal and administrative support.

#### Education

The Senate Draft of the executive budget adjusts the Department of Education's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$52,131,601 in general funds and \$5,667,548 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$57,297,239 in general funds and \$5,667,548 in non-general funds.

The Administration's request was to add \$64,287,540 in general funds and \$2,867,548 in non-general funds for fiscal year 2017-2018 and \$65,848,291 in general funds and \$2,867,548 in non-general funds for fiscal year 2018-2019.



*Regular Education*

Your Committee is committed to investing in our keiki and to providing support so that all keiki have the means to succeed in the public school system. In 2015, the Legislature appropriated general funds to increase access and quality of health services for Hawaii's public school students through the Hawaii keiki: healthy and ready to learn program. Aware of the success of the Hawaii keiki program, your Committee approved \$2,800,000 in general funds and \$2,800,000 in federal funds for each fiscal year to continue and expand collaboration between health, human services, and education policymakers and providers. The expansion of the Hawaii keiki program will strengthen critical school-based health services in the State to meet the academic and health needs of Hawaii's public school students.

Your Committee has also approved \$1,000,000 in general funds for each fiscal year for the Early College High School Program, to support the success of the initiative and encourage more opportunities for Hawaii's public high school students to earn college credits before they graduate from high school.

Your Committee approved \$2,500,000 in general funds for fiscal year 2017-2018 and \$4,000,000 in general funds for fiscal year 2018-2019 to account for the projected shortfall in the Department of Education's school service and maintenance budget. This amount restores a projection of costs that was not included in the Governor's proposed budget.

*Libraries*

The Senate Draft of the executive budget adjusts the Hawaii State Libraries' appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$1,438,286 in general funds; and
- (2) For fiscal year 2018-2019, by adding \$1,614,149 in general funds.

The Administration's request was to add \$1,295,169 in general funds for fiscal year 2017-2018 and to add \$1,480,317 in general funds for fiscal year 2018-2019.



Your Committee believes in the mission of the state libraries, and recognizes their ability to serve all segments of the population and encourage educational growth and learning. Your Committee is aware of the Comptroller's memorandum, which outlines \$1,000,000 of outstanding repair and maintenance projects for the libraries statewide. To help with this effort, your Committee approved \$250,000 in general funds for each fiscal year to raise the base budget for repair and maintenance to \$750,000. This will help the libraries address their outstanding backlog. This amount restores a budget request that was zeroed out by the Governor in the Governor's proposed budget.

State libraries serve as a resource for our communities and are sometimes the only resource for research or educational materials and computer access for persons experiencing homelessness. Your Committee is aware of the housing challenges in our State and supports the Governor's Homeless Taskforce by providing 1.00 position for the Office of the State Librarian and \$23,466 in general funds for fiscal year 2017-2018 and \$46,932 in general funds for fiscal year 2018-2019. This position will develop partnerships between the library system and other governmental and nonprofit agencies focused on people experiencing homelessness.

With the opening of the new Nanakuli Public Library, your Committee approved an additional 6.50 positions and \$50,799 in general funds for fiscal year 2017-2018 and \$203,196 in general funds for fiscal year 2018-2019. The new state-of-the-art library is under construction and due to open in early 2018. The additional positions and funds will fully staff the library, so that all special services, including business development and cultural programming, will be available to the community.

#### *Charter Schools*

The Senate Draft of the executive budget adjusts the Charter Schools' appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$9,651,776 in general funds and \$302,150 in federal funds; and





- (2) For fiscal year 2018-2019, by adding \$9,944,866 in general funds and \$302,150 in federal funds.

The Administration's request was to add \$11,336,693 in general funds and \$302,150 in federal funds for fiscal year 2017-2018 and to add \$11,419,807 in general funds and \$302,150 in federal funds for fiscal year 2018-2019.

Your Committee is committed to supporting Hawaii's public charter schools and has provided \$9,651,776 in general funds for fiscal year 2017-2018 and \$9,944,866 in general funds for fiscal year 2018-2019. This amount is based on the per-pupil allocation for charter schools.

#### *Early Learning*

The Senate Draft of the executive budget adjusts the Early Learning program appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$230,414 in general funds; and
- (2) For fiscal year 2018-2019, by adding \$679,152 in general funds.

The Administration's request was to add \$89,486 in general funds for fiscal year 2017-2018 and to add \$118,070 in general funds for fiscal year 2018-2019.

Your Committee greatly appreciates the work that the Executive Office on Early Learning has done to improve the pre-kindergarten program. Your Committee is also aware of the understaffing in the Office and has thus provided 5.00 positions and \$53,733 in general funds for fiscal year 2017-2018 and \$82,317 in general funds for fiscal year 2018-2019 to re-establish the Executive Office on Early Learning. Currently, the Executive Office on Early Learning contains only one staff member, the Executive Director. The additional positions will allow the Director to focus on the long-term objectives of the Office and receive much needed staff support.

Your Committee recognizes the steady success of the public pre-kindergarten program and has thus approved \$136,688 in general



funds for fiscal year 2017-2018, and 10.00 positions and \$556,842 in general funds for fiscal year 2018-2019 for five new public pre-kindergarten classrooms. These funds support the Pre-Kindergarten and Induction Program and restore funding that was zeroed out by the Governor in the Governor's proposed budget.

#### Governor

The Senate Draft of the executive budget adjusts the Office of the Governor's appropriation as follows:

- (1) For fiscal year 2017-2018, by reducing \$295,226 in general funds; and
- (2) For fiscal year 2018-2019, by reducing \$295,226 in general funds.

The Administration's request was to add \$184,035 in general funds for fiscal year 2017-2018 and to add \$184,035 in general funds for fiscal year 2018-2019.

Your Committee recognizes that providing executive direction for the State is a difficult task before the Office of the Governor. While your Committee has been supportive in trying to increase the capacity of the Governor's Office to effectuate its priorities, concerns remain over the Office of Military Affairs and Federal Grants Maximization. Your Committee remains uncertain as to both the utilization and purpose of the Office, and believes that it may not be fiscally prudent to continue its operations without a clear indication of the benefits to the State. Your Committee has therefore reduced 2.00 positions and \$337,228 in general funds for the Office of Military Affairs and Federal Grants Maximization.

Your Committee also understands that the Director of Human Resources Development has been filling the Chief Negotiator position for the State, and therefore, was able to realize savings by reducing 1.00 position and \$109,200 in general funds for each fiscal year for the vacant Chief Negotiator position. Your Committee also provided \$117,167 in general funds for each fiscal year to fund previously unbudgeted membership fees for national and regional organizations for the Office of the Governor.



Hawaiian Home Lands

The Senate Draft of the executive budget adjusts the Department of Hawaiian Home Lands appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$1,195,390 in general funds and reducing \$9,484,159 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$1,195,390 in general funds and reducing \$9,484,159 in non-general funds.

The Administration's request was to add \$1,195,390 in general funds and reduce \$31,484,159 in non-general funds for fiscal year 2017-2018 and to add \$1,195,390 in general funds and reduce \$31,484,159 in non-general funds for fiscal year 2018-2019.

Your Committee understands and recognizes the importance of the Department of Hawaiian Home Lands and its mission of serving its beneficiaries.

Your Committee has provided \$6,865,887 in general funds for each fiscal year for fringe benefit funding for the Department of Hawaiian Home Lands general funded positions.

Health

The Senate Draft of the executive budget adjusts the Department of Health's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$14,445,630 in general funds and \$52,410,524 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$18,004,450 in general funds and \$8,344,305 in non-general funds.

The Administration's request was to add \$19,423,885 in general funds and \$52,363,112 in non-general funds for fiscal year 2017-2018 and \$22,341,849 in general funds and \$8,296,893 in non-general funds for fiscal year 2018-2019.



### *Aging and Disability*

Your Committee provided \$3,976,435 in general funds for each fiscal year to increase the overall base budget for Kupuna Care. Additional funds will support the existing client base, allowing the clients to lead independent, meaningful, and dignified lives through a continuum of home and community-based efforts.

Your Committee approved \$600,000 in general funds for fiscal year 2017-2018 to support family caregivers who provide long-term care to our ever-increasing kupuna population. This funding will provide financial assistance that will reduce the burden on these individuals, allowing them to focus on helping our kupuna age in place while delivering comparable services.

Your Committee provided \$1,700,000 in general funds for each fiscal year to increase the base for the Aging and Disability Resource Center (ADRC). Additional funds will support the operations of the four ADRC sites statewide as well as allow for the integration of participant-directed models of public support.

Your Committee provided \$2,754,980 in general funds for fiscal year 2017-2018 and \$7,118,914 in general funds for fiscal year 2018-2019 to meet the State match for the Medicaid Intellectual and Developmental Disabilities Home and Community Based Services Waiver to address the cost of services. New regulations require states to maximize the opportunities for program participants to access the benefits of community living, receive services in the most integrated settings, and effectuate the law's intention to provide alternatives to services rendered in institutions.

### *Homeless Efforts*

Your Committee provided \$500,000 in general funds for each fiscal year for purchase of services that will provide for continuation of outreach and interim case management for homeless individuals with serious and persistent mental health challenges.

Your Committee has also provided \$800,000 in general funds for each fiscal year for outreach, counseling, and Law Enforcement Assisted Diversion (LEAD) services for chronically homeless individuals and families with severe substance abuse disorders.



Additionally, your Committee provided \$300,000 in general funds for each fiscal year to increase the current inventory of clean and sober housing for utilization by chronically homeless individuals with severe substance abuse disorders. The Alcohol and Drug Abuse Division has indicated that available funds for these services are limited, and that the supply of clean and sober housing, particularly on the neighbor islands, is insufficient to meet demand.

#### *Mental Health*

Your Committee approved \$1,340,000 in general funds for fiscal year 2017-2018 and \$1,613,000 in general funds for fiscal year 2018-2019 to rebase provider rates for the Child and Adolescent Mental Health Division (CAMHD). A rate study conducted by the Western Interstate Commission for Higher Education (WICHE) determined that local provider rates were substantially lower than those offered in other states. Rates have not been adjusted for CAMHD service providers in over ten years, and providers have advised the Division that they would be unable to continue to operate if rates were not adjusted.

#### *Program Fiscal Sustainability*

Your Committee provided \$6,507,305 in general funds for each fiscal year to complete the transition of Chronic Disease Prevention and Health Promotion Division staff from special funds to general funds that was initiated by Act 118, Session Laws of Hawaii 2015. Your Committee previously found that the allocation from the Hawaii Tobacco Settlement Special fund was insufficient to support the Division's personal services and other expenses. This adjustment will allow the Department to continue these vital operations sustainably.

Similarly, your Committee provided \$3,000,000 in general funds for each fiscal year for the State's Maintenance of Effort (MOE) to receive the Maternal Infant Early Childhood Home Visiting grant funds. Matching general funds had previously been allocated from the Hawaii Tobacco Settlement Special Fund. Unfortunately, the Department of Health's successful efforts to reduce smoking in the State correlate to a reduction in the amount of special funds



available for the program's operation. Consequently, general funds are necessary to obtain matching federal funds.

In light of the substantial amounts proposed to be added to the Department of Health's base budget and the uncertainty of state tax revenues, your Committee identified 31.00 vacant, low-priority positions to eliminate, for a savings of \$1,709,047 in general funds for each fiscal year. Your Committee redirected these and other identified savings to other areas within the Department, in order to sustain current programs and to render new program funding revenue neutral.

#### *Wahiawa General Hospital*

Your Committee also approved an operating subsidy of \$942,000 in general funds for each fiscal year for Wahiawa General Hospital. This subsidy will continue a previous subsidy amount that was provided by the State for purchase of services contracts that were set to expire on June 30, 2017.

#### *Hawaii Health Systems Corporation*

The Senate Draft of the executive budget adjusts the Hawaii Health System's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$32,981,003 in general funds and \$23,459,087 in special funds; and
- (2) For fiscal year 2018-2019, by adding \$26,181,003 in general funds and \$23,459,087 in special funds.

The Administration's request was to add \$47,109,003 in general funds and \$23,459,087 in special funds for fiscal year 2017-2018 and \$30,729,003 in general funds and \$23,459,087 in special funds for fiscal year 2018-2019.

Your Committee provided \$36,486,000 in general funds for fiscal year 2017-2018 and \$34,686,000 in general funds for fiscal year 2018-2019 to provide the operating subsidy necessary for Hawaii Health Systems Corporation - Regions to address a budget deficit caused by rising healthcare costs.



In view of the transfer of the Corporation's Maui regional facilities to the Kaiser Foundation, your Committee approved disbursements of Maui region's working capital, and \$5,000,000 for fiscal year 2017-2018 in general funds to provide additional operating moneys for the remaining regions of the Corporation, as well as any necessary working capital for the Maui Health System, a Kaiser Foundation Hospital, LLC, that is needed after the Maui region's assets have been exhausted at the end of fiscal year 2016-2017. Your Committee has included a provision authorizing the Corporation's Board of Directors to determine the amount required by the hospitals, including the Maui Health System, a Kaiser Foundation Hospital, LLC.

Your Committee also has approved an operating and capital subsidy for the Maui Health System, a Kaiser Foundation Hospital, LLC, for the Maui facilities. Your Committee intends that the working capital and subsidy be provided to the Maui Health System, a Kaiser Foundation Hospital, LLC, in accordance with the transfer from the State to the Kaiser Foundation, including all applicable provisions of Act 103, Session Laws of Hawaii 2015, and part IV, chapter 323F, Hawaii Revised Statutes.

#### Human Resources Development

The Senate Draft of the executive budget adjusts the Department of Human Resources Development's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$1,073,212 in general funds; and
- (2) For fiscal year 2018-2019, by reducing \$1,322,788 in general funds.

The Administration's request was to add \$2,052,292 in general funds for fiscal year 2017-2018 and \$2,302,292 in general funds for fiscal year 2018-2019.

Your Committee approved \$2,396,000 in general funds for fiscal year 2017-2018 for workers' compensation claims. Your Committee recognizes the importance of fulfilling the State of Hawaii's responsibility to pay workers' compensation claims and benefits in a timely manner to avoid exorbitant fines and other



costs in the future. Your Committee is aware of the fluctuations in the workers' compensation cost projections, and therefore, looks forward to working with the Department of Human Resources Development on revised cost estimates for fiscal year 2018-2019 during the supplemental budget cycle.

Your Committee approved the transfer of 2.00 vacant information technology positions from Supporting Services to the Office of Enterprise Technology Services, where they could be more efficiently deployed to work on interdepartmental information technology projects.

#### Human Services

The Senate Draft of the executive budget adjusts the Department of Human Services' appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$12,943,765 in general funds and \$157,133,545 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$48,037,256 in general funds and \$273,181,312 in non-general funds.

The Administration's request was to add \$25,596,723 in general funds and \$157,393,373 in non-general funds for fiscal year 2017-2018 and \$66,440,270 in general funds and \$276,330,208 in non-general funds for fiscal year 2018-2019.

Your Committee recognizes the importance of essential homelessness services provided by the State of Hawaii. As such, your Committee approved \$3,000,000 in general funds for each fiscal year for the continuation of the Housing First Program and \$3,000,000 in general funds for each fiscal year for the Rapid Re-Housing Program. A sum of \$1,500,000 in general funds for each fiscal year for homeless outreach services was also appropriated to the Department to maintain the current level of statewide outreach. These programs and services aid some of the most vulnerable populations of people, who are either experiencing homelessness or at-risk of becoming homeless.

Your Committee values protecting social safety nets, especially during times of economic uncertainty. These





appropriations will follow the appropriations made in the prior fiscal year, as well as expand services to the neighbor islands.

Your Committee also approved \$2,500,000 in general funds and \$7,056,720 in federal funds for fiscal year 2017-2018 and \$5,000,000 in general funds and \$14,113,440 in federal funds for fiscal year 2018-2019 for adult dental benefits. Dental care is an essential part of overall health and well-being. This benefit was eliminated during the State's recession, but it is a critical service to restore because preventative dental care has proved to be a fiscally prudent expenditure for many states. Funding adult dental benefits is not only financially responsible, but it also helps 180,000 adults avoid preventable, expensive, and invasive dental procedures and extractions.

Your Committee appropriated \$4,558,858 in general funds and \$2,454,770 in federal funds for fiscal year 2017-2018 and \$4,634,292 in general funds and \$2,495,388 in federal funds for fiscal year 2018-2019 to comply with the 2013 class action lawsuit filed on behalf of over 1,000 foster parents to increase the foster board rates. These moneys are necessary for the State to comply with the Child Welfare Act, and therefore your Committee has fully funded this request.

#### Labor and Industrial Relations

The Senate Draft of the executive budget adjusts the Department of Labor and Industrial Relation's appropriation as follows:

- (1) For fiscal year 2017-2018, by reducing \$2,927,343 in general funds and \$19,987 in non-general funds; and
- (2) For fiscal year 2018-2019, by reducing \$597,775 in general funds and adding 45,604 in non-general funds.

The Administration's request was to reduce \$2,753,210 in general funds and \$19,987 in non-general funds for fiscal year 2017-2018 and to reduce \$376,494 in general funds and to add \$45,604 in non-general funds for fiscal year 2018-2019.

Your Committee approved a 1.00 position and \$515,386 in general funds for fiscal year 2017-2018 and \$2,810,772 in general



funds for fiscal year 2018-2019 for Business Process Optimization Analysis and Case Management System Modernization. This project will expedite payment of injured workers' benefits and help people return to work.

Your Committee approved 1.00 position and \$19,746 in general funds for fiscal year 2017-2018 and \$39,392 in general funds for fiscal year 2018-2019 for the Hawaii Civil Rights Commission. Providing this legal support position will permit reallocation of administrative duties currently handled by attorneys, thereby increasing attorney productivity by as much as twenty-five percent.

Recognizing an increase in the number of appeals presented to the Labor and Industrial Relations Appeals Board and the resulting increased delay in case processing, your Committee approved 1.00 position and \$14,436 in general funds for fiscal year 2017-2018 and \$28,872 in general funds for fiscal year 2018-2019. This position will address the Board's current staffing shortage, thereby increasing the percentage of appeals that the Board will be able to resolve within fifteen months of receipt.

#### Land and Natural Resources

The Senate Draft of the executive budget adjusts the Department of Land and Natural Resources' appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$19,668,769 in general funds and \$16,159,752 in non-general funds; and;
- (2) For fiscal year 2018-2019, by adding \$15,500,669 in general funds and \$1,967,001 in non-general funds.

The Administration's request was to add \$21,234,212 in general funds and \$16,036,430 in non-general funds for fiscal year 2017-2018 and \$20,766,112 in general funds and \$1,891,237 in non-general funds for fiscal year 2018-2019.

Your Committee believes in the essential services and protection of natural resources that the Department of Land and Natural Resources provides to the State of Hawaii. Your Committee approved all executive requests from the Governor regarding the



transition of base budgets from special funds to general funds in accordance with Act 84, Session Laws of Hawaii 2015. Providing a stable funding source to these programs was a priority of this Committee last biennium, and transitioning personnel in these programs into the general fund budget completes the process.

Hawaii's ecosystem is incredibly fragile and is in constant danger of falling out of balance. Your Committee approved \$750,000 in general funds for each fiscal year to combat Rapid Ohia Death. Your Committee also acknowledges the important role the Hawaii Invasive Species Council plays in the biosecurity of the State and therefore appropriated \$4,000,000 in general funds for fiscal year 2017-2018 for this program. Funding for fiscal year 2018-2019 for the Hawaii Invasive Species Council was not included due to the potential creation of the Hawaii Invasive Species Authority through House Bill No. 1339, which is currently under review by the Legislature.

Your Committee approved 15.00 positions and \$1,065,147 in general funds for fiscal year 2017-2018 and \$1,097,047 in general funds for fiscal year 2018-2019 for the Kahoolawe Island Reserve Commission. Without this appropriation, the operations of the Commission would cease. These moneys provide the Commission the ability not only to clean and restore the island of Kahoolawe, but the chance to educate the community and protect state lands for future generations.

#### Public Safety

The Senate Draft of the executive budget adjusts the Department of Public Safety's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$5,542,921 in general funds and \$1,292,671 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$698,120 in general funds and \$1,292,671 in non-general funds.

The Administration's request was to add \$7,265,245 in general funds and \$1,292,671 in non-general funds for fiscal year 2017-2018 and \$4,201,373 in general funds and \$1,292,671 in non-general funds for fiscal year 2018-2019.



As Halawa Correctional Facility continues to undergo renovations, it is important to temporarily fund the housing of inmates in non-state facilities. To this end, your Committee provides \$3,344,801 in general funds for fiscal year 2017-2018. Your Committee also notes the important work of the Sheriff's Division, and the need to recruit highly qualified candidates into positions performing that work. Therefore, your Committee approved \$125,000 in general funds for each fiscal year for psychological testing during the recruitment of deputy sheriffs.

Your Committee is aware that there is no centralized home for the Department of Public Safety, and supports the effort that the Department is undertaking to find suitable facilities. As such, your Committee provided \$1,500,000 in general funds for fiscal year 2017-2018 for the current lease rent for the Department, as well as for future relocation costs.

Your Committee continues to be concerned about the level of overtime in the Corrections Division, with some facilities experiencing rates in excess of ten percent of their base salary. With approximately \$11,000,000 being spent on overtime from other budgeted areas such as vacancies and deferred contracts, the Department of Public Safety will be unable to move forward in meeting its mission unless these levels are controlled and reduced. Your Committee directs the Department to progressively reduce its overtime costs, by providing that the Department use no more than its current fiscal year overtime budget for fiscal year 2017-2018 as well as putting in place targeted reductions for fiscal year 2018-2019.

### Taxation

The Senate Draft of the executive budget adjusts the Department of Taxation's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$472,329 in general funds and \$3,572 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$347,329 in general funds and \$3,572 in non-general funds.

The Administration's request was to add \$648,279 in general funds and \$3,572 in non-general funds for fiscal year 2017-2018



and \$523,279 in general funds and \$3,572 in non-general funds for fiscal year 2018-2019.

To assist the Department with the increased workload due to the anticipated tax revenue from medical marijuana sales, your Committee approved \$59,000 in general funds for each fiscal year. These funds will help with armored car and security expenses.

### Transportation

The Senate Draft of the executive budget adjusts the Department of Transportation's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$27,661,977 in special funds and reducing \$1,541,657 in federal funds; and
- (2) For fiscal year 2018-2019, by adding \$20,981,432 in special funds and reducing \$5,682,007 in federal funds.

The Administration's request was to add \$45,131,791 in special funds and reduce \$1,541,657 in federal funds for fiscal year 2017-2018 and add \$33,819,521 in special funds and reduce \$5,682,007 in federal funds for fiscal year 2018-2019.

### *Airports*

Your Committee recognizes the Department of Transportation's expressed concern over the potential liability for labor and procurement violations resulting from the continued staffing of Pass and Identification offices at Honolulu International Airport, Kahului Airport, Keahole International Airport at Kona, Hilo Airport, and Lihue Airport with private contractors in place of state personnel. Therefore, your Committee approved a total of 19.00 positions and \$440,572 in special funds for fiscal year 2017-2018 and \$838,943 in special funds for fiscal year 2018-2019 to establish Office Assistants in Pass and Identification Offices statewide, for the purpose of having all workers who execute information security directives be directly employed by the State to reduce the potential liability associated with contracted personnel.



In order to address the long-standing staffing shortages in the Aircraft Rescue Fire Fighting Programs at Honolulu International Airport and Kahului Airport, your Committee approved 23.00 positions and \$2,302,092 in special funds for the islands of Oahu and Maui in support of those emergency responders who bear the burden of defending the various structures, aircraft, and individual lives at state airports. This decision will expand these two programs to fulfill mandates from the Occupational Safety and Health Administration relating to operational capacity and allow the current heavy rescue vehicle at airports on Oahu and Maui to be staffed appropriately.

The Airports Division has demonstrated initiative in its attempt to establish a successful Federal Inspection Station at Kona International Airport to support the growing number of international routes based at the Airport that bring positive economic opportunities to the surrounding community. Your Committee has therefore approved 6.00 Visitor Information Program Assistants and \$293,004 in special funds in fiscal year 2018-2019 to provide line management and serve passengers in the Automated Passport Kiosk section of the Federal Inspection Station. Your Committee further recognizes the contributions of the Automated Passport Kiosks towards reducing queue times and streamlining the processing of international arrivals per federal regulations and approved \$150,000 in special funds for the maintenance of these Kiosks at Kona International Airport.

### *Harbors*

Your Committee greatly appreciates the Harbors Division's intention to utilize existing resources by trading off and transferring funds between various programs to largely cover anticipated increases in operating expenses for the next fiscal biennium.

Your Committee understands the Harbors Division's desire to maintain compliance with the Environmental Protection Agency's stormwater management Consent Decree and has thus approved \$384,500 in special funds for the Division's ongoing maintenance of its Geographic Information System and Asset Management System. Supporting these two systems will allow the Department to utilize technological advancements to map out and manage its inventory of stormwater-related assets and is necessary for the Division to



meet its obligation under a Department of Health mandate to use an Asset Management System for compliance with its Small Municipal Separate Storm Sewer System Permits.

### *Highways*

Your Committee continues to express grave concerns for the financial sustainability of the Highways Special Fund and is aware of the projected shortfalls and deficits of the Highways Division. In carefully considering funding levels, your Committee has exercised a great deal of caution by not approving increases beyond what is absolutely necessary. It is your Committee's hope that the reduced expenditure level proposed in this budget will encourage the Division's initiatives for future balanced financial projections.

Your Committee has approved a total of 12.00 positions, \$780,961 in special funds for fiscal year 2017-2018, \$1,447,616 in special funds for fiscal year 2018-2019, and \$216,000 in federal funds for each fiscal year for the Highways Division to operate the Intelligent Technology Systems Branch of the Joint Traffic Management Center. These positions and funding will allow the Branch to deploy, monitor, and maintain intelligent devices on island highways important for providing a safe and efficient highway system. To account for this increase in financial responsibility, your Committee has designated a corresponding reduction of \$1,461,444 in special funds for each fiscal year for long-standing and low-priority vacant positions mainly in Oahu Highways, Highways Administration, and Highway Safety.

### *Administration*

Your Committee recognizes the Administration Division's intent to execute five information technology projects over the fiscal biennium. To ensure that these funds are expended with great fiscal responsibility, your Committee has slightly reduced the aggregate costs of these projects and approved a lump sum of \$3,514,950 in special funds for fiscal year 2017-2018 and \$1,242,000 in special funds for fiscal year 2018-2019 for information technology projects. Furthermore, to ensure that these projects provide the greatest benefits possible to the State, your Committee requires that these projects be reviewed and



approved by the Chief Information Officer of the Office of Enterprise Technology Services.

Currently, the Hawaii Department of Transportation is under a Consent Decree agreement with the United States Environmental Protection Agency requiring the Department of Transportation's Office of Environmental Compliance to perform compliance audits of the MS4 stormwater discharge permits issued to the Airports, Highways, and Harbors Divisions. Your Committee understands the importance of adhering to environmental regulations and avoiding severe non-compliance penalties, and has thus approved 2.00 environmental and engineering positions and \$97,161 in special funds for fiscal year 2017-2018 and \$194,322 in special funds for fiscal year 2018-2019 for the Office of Environmental Compliance. The expanded staffing will allow the Office to fully meet the work demands of the Consent Decree and ensure the Divisions' ongoing compliance status.

University of Hawaii

The Senate Draft of the executive budget adjusts the University of Hawaii's appropriation as follows:

- (1) For fiscal year 2017-2018, by adding \$44,668,533 in general funds and \$5,540,939 in non-general funds; and
- (2) For fiscal year 2018-2019, by adding \$44,668,533 in general funds and \$5,540,939 in non-general funds;

The Administration's request was to add \$42,558,733 in general funds and \$5,540,939 in non-general funds for fiscal year 2017-2018 and fiscal year 2018-2019.

Your Committee approved 4.00 positions and \$3,000,000 in general funds for each fiscal year for the Cancer Center's operations and clinical trials. The Cancer Center provides an integral nexus between Hawaii residents suffering from cancer and the most relevant research and care options. The Cancer Center provides clinical trials to cancer patients for most, if not all, of Hawaii's cancer care providers. This appropriation will help significantly with the Center's financial concerns, while also benefiting an important population of the State.





Your Committee has also approved \$350,000 in general funds for each fiscal year to continue our State's efforts in concussion monitoring and testing for our high school student athletes, pursuant to Act 197, Session Laws of Hawaii 2012, as amended by Act 262, Session Laws of Hawaii 2016. Nationally, concussion management is of great concern as we seek to keep our student athletes safe.

Compliance with federal Title IX standards, which extends beyond just equity in sports, is a mandated responsibility of the University of Hawaii. Your Committee approved 7.00 positions and \$1,290,000 in general funds for each fiscal year to ensure compliance and provide essential services to students.

#### **PART VI. CAPITAL IMPROVEMENTS PROGRAM BUDGET**

Your Committee finds that capital improvement projects play an essential role in building the State's economy and infrastructure. While remaining fiscally prudent and mindful of the Administration, its departments, and the community at large, your Committee strived to ensure vital state and community needs were met across all departments, as well as to address critical areas in education, housing, agriculture, and public safety.

After careful consideration of the growing needs and concerns of the State, addressing commitments pledged by the Administration, as well as being cognizant of the State's current revenue projections, your Committee has provided a total of \$969,819,000 for fiscal year 2017-2018 and \$29,181,000 for fiscal year 2018-2019 for projects funded by general obligation bonds and \$1,847,706,000 in fiscal biennium 2017-2019 for projects funded by all other 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 \$1,375,734,000 for fiscal year 2017-2018 and \$151,676,000 for fiscal year 2018-2019 for projects funded by general obligation bonds and \$1,748,338,000 in fiscal biennium 2017-2019 for projects funded by all other means of financing.

Your Committee executed a capital improvement program budget that focuses on funding critical and significant capital projects that:



- (1) Provide for growing student populations on both Oahu and Maui by awarding a lump sum fund to the Department of Education in the amount of \$168,000,000 for new school and classroom projects. Your Committee took great pains to provide for the educational needs of the State by dedicating \$437,965,000 to the Department of Education, which comprises forty-four percent of the entire general obligation bond amount awarded statewide;
- (2) Address the shortage of public and affordable housing throughout the State. For this objective, your Committee provided \$51,500,000 to Hawaii Public Housing Authority for the renovation of its public housing facilities, statewide; \$25,000,000 for an infusion to the Rental Housing Revolving Fund; and \$25,000,000 for an infusion to the Dwelling Unit Revolving Fund, to address infrastructure, construction and development needs of affordable housing across the State. Your Committee also acknowledges the need and backlog for public senior housing in the State with an ever-growing applicant waitlist for the senior population. Therefore, your Committee has allotted \$35,000,000 for a senior housing project on Oahu that will provide an additional 200 to 250 units for senior living public housing facilities to accommodate an underserved elderly population;
- (3) Conserve and protect agricultural lands, promote diversified agriculture, and increase agricultural self-sufficiency, as mandated by Article XI, section 3 of the Constitution of the State of Hawaii. To address this mandate, your Committee provided over \$20,000,000 to purchase 500 acres of agricultural land to lease to local farmers, decreasing the State's dependence on imported agriculture products, while investing over \$25,000,000 in upgrades and improvements to critical water infrastructure systems and agricultural facilities statewide; and
- (4) End the search for and debate on prospective jail sites by solidifying a Halawa location and providing \$60,000,000 to the Department of Public Safety to begin the process of building a new jail. A sum of \$6,000,000



was also furnished to the Department of Public Safety to add beds at the current Halawa facility to bring prisoners on the mainland back home. To this effort, your Committee has also provided \$4,000,000 to relocate Department of Agriculture facilities outside of the Halawa site to further address the State's increasing populations within the Department of Public Safety facilities.

Your Committee recognizes great need in the State for services provided by non-governmental groups and nonprofit agencies. Your Committee commends these organizations for their commitment to serving the community and understands the fiscal constraints within which these organizations often operate. Your Committee will be thoroughly assessing all grant applications in conjunction with the State's financial forecast, in order to determine the most appropriate and prudent funding levels for these organizations.

Finally, your Committee provided funding for various projects within the Department of Defense, Department of Hawaiian Home Lands, Department of Health, Department of Human Services, Department of Land and Natural Resources, and Department of Transportation, among others, to ensure that contributions of matching federal, private, and other funds may be maximized and not lost or forfeited.

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. 100, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 100; H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

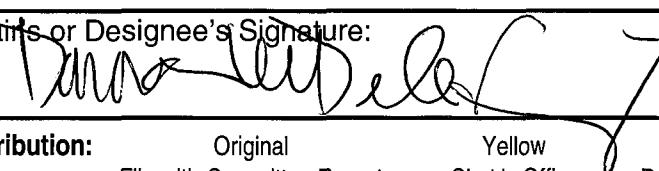
Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
\_\_\_\_\_  
JILL N. TOKUDA, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 100, HD1	WAM	3/29/17		
<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
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
ENGLISH, J. Kalani				/
GALUTERIA, Brickwood	/			
HARIMOTO, Breene	/			
INOUYE, Lorraine R.	/			
KAHELE, Kaiali'i	/			
RIVIERE, Gil	/			
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.	/			
WAKAI, Glenn	/			
<b>TOTAL</b>	10			1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes