

Honolulu, Hawaii

, 2021

APR 23

RE: H.B. No. 200
H.D. 1
S.D. 1
C.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 200, H.D. 1, S.D. 1, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

PART I. OVERVIEW

This measure, as received, includes:

- (1) The base budget from Act 9, Session Laws of Hawaii (SLH) 2020;
- (2) The addition of previously appropriated collective bargaining amounts in prior acts;
- (3) The adjustment amounts necessary to fulfill the Employees' Retirement System, Employer-Union Health Benefits Trust



Fund, debt service, and Medicaid requirements for the 2021-2023 biennium;

- (4) The reduction of non-recurring amounts identified in the 2020 and 2021 executive budget worksheets issued by the Legislature; and
- (5) Various reductions for critical government services.

Your Committee on Conference has amended this measure to include:

- (1) The approved executive requests for trade-offs, transfers, changes to means of financing, conversions of positions from temporary to permanent, ceiling increases or decreases, and reductions;
- (2) Additional funding for critical government services;
- (3) Appropriations of American Rescue Plan Act of 2021 funds; and
- (4) Adjustments to meet federal Maintenance of Effort requirements.

	Fiscal Year 2021-2022		Fiscal Year 2022-2023	
	All Funds	General Funds	All Funds	General Funds
Executive Budget Act 9, SLH 2020	\$15,672,211,865	\$8,026,960,067	\$15,672,211,865	\$8,026,960,067
Executive Budget Request	\$15,416,743,597	\$7,685,972,117	\$15,521,316,276	\$7,798,266,153
Net Change in Conference Draft	\$229,056,855	(\$602,042,663)	(\$410,576,386)	(\$525,767,306)
Total Appropriation	\$15,901,268,720	\$7,424,917,404	\$15,261,635,479	\$7,501,192,761

PART II. GENERAL FUND REVENUES AND ECONOMY

The Council on Revenues increased its general fund tax revenue projection at both its January 2021 and March 2021 meetings.

When the Council met, their forecast assumed the passage of the \$1.9 trillion Federal stimulus bill (the American Rescue Plan Act of 2021). The Council's forecast also assumed that Hawaii's economy will continue to open up steadily without significant regulatory



restrictions and shutdowns affecting businesses and individuals, and that travel restrictions will continue to become more relaxed and visitor arrival numbers will return to relatively normal levels in the near future.

The Council's fiscal year 2021 forecast considered and discussed the fiscal impacts of the delay in the income tax filing deadline from April 2020 to July 2020, which resulted in a shift of approximately \$308 million from fiscal year 2020 to fiscal year 2021 and the adverse impact on tax collections due to businesses affected by the 2020 pandemic shutdown and restrictions. The Council acknowledged that economic activity continues its upward trajectory since the last shutdown in September 2020. In addition, the Council discussed the impacts of the American Rescue Plan Act of 2021 that it expected to be passed in March 2021 and the taxation of benefits received from Unemployment Insurance and the Pandemic Unemployment Assistance (PUA) program.

The Council acknowledged that the coronavirus disease 2019 (COVID-19) continues to represent a serious risk to public health and the State's economy. Future tax revenues are highly dependent on the trajectory of the virus, new variants, the availability and efficacy of vaccines, rapid low-cost testing, and the state, county, and federal governments' ability to manage health risks while at the same time supporting economic activities. Given the prominent role of tourism in Hawaii's economy, the number of visitors to the State will have major impacts on the economy and tax collections. The Council recognized that international visitor arrivals may lag domestic visitor arrivals since certain other countries are behind the United States in their vaccination programs.

The new forecasts for the state general fund tax revenues for fiscal year 2021 through fiscal year 2027 are shown in the table below:

General Fund Tax Revenues		
Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2021	\$6,527,438	-2.5%
2022	\$6,788,536	4.0%
2023	\$7,060,077	4.0%
2024	\$7,342,480	4.0%
2025	\$7,599,467	3.5%
2026	\$7,865,448	3.5%
2027	\$8,140,739	3.5%



PART III. OPERATING BUDGET

Your Committee on Conference has worked diligently to create a responsible financial plan that includes a budget that continues to fund critical services and programs. The conference draft approach to balancing the budget included considering the Council on Revenues' General Fund Forecast, allocating federal funds received from the American Rescue Plan Act of 2021, implementing revenue enhancements, sweeping excess special funds to the general fund, and strategic restructuring, reductions and cuts.

American Rescue Plan Act of 2021

Given the significant constriction of state revenues, your Committee on Conference had the daunting task of balancing the state budget. Your Committee on Conference strategically allocated American Rescue Plan Act of 2021 (ARPA), Public Law 117-2, funds to retain critical services and provide for various other one-time costs. Numerous federal requirements, restrictions, and limitations were placed on how ARPA funds could be spent by the states. With limited guidance from the Department of Budget and Finance and the federal government, your Committee on Conference carefully allocated those funds based on the guidance available.

The Conference Draft of the executive budget includes the following amounts in ARPA funds:

- (1) \$160,020,792 in fiscal year 2022 and \$153,659,250 in fiscal year 2023 to repay a working capital loan;
- (2) \$252,391 in fiscal year 2022 and \$5,091,175 in fiscal year 2023 to repay the federal unemployment insurance loan interest payable to ensure it does not become a long-term financial burden;
- (3) \$700,000,000 in fiscal year 2022 to repay the unemployment insurance loan principal to ensure it does not become a long-term financial burden;
- (4) \$32,315,400 in each fiscal year for the operations of the Hawaii Health Systems Corporation hospitals statewide;
- (5) \$11,585,000 in fiscal year 2022 and \$8,923,000 in fiscal year 2023 for Maui Health System operating subsidy;



- (6) \$2,383,931 in fiscal year 2022 for Family Health Services and perinatal support services;
- (7) \$1,500,000 in fiscal year 2022 for Senior Centers' contracted services;
- (8) \$6,180,433 in fiscal year 2022 for staffing at the Hawaii State Hospital's new forensics unit;
- (9) \$345,000 in each fiscal year for Health Resources Administration;
- (10) \$307,775 in fiscal year 2022 and \$635,350 fiscal year 2023 for Worker's Compensation Claims to comply with Workers' Compensation Law (Chapter 386) and its related rules and regulations;
- (11) \$275,000 in fiscal year 2022 for Unemployment Insurance Benefits to be in compliance with Section 383-62(b) Hawaii Revised Statutes;
- (12) \$875,000 in fiscal year 2022 for Rapid Ohia Death Response to protect an important cultural and ecological mainstay;
- (13) \$120,000 in each fiscal year for the Native Resources and Fire Protection Program;
- (14) \$1,200,000 in fiscal year 2022 to fund economic analysis at the University of Hawaii Economic Research Organization;
- (15) \$4,000,000 in each fiscal year for Economic Planning and Research;
- (16) \$11,000,000 in each fiscal year for Convention Center operations;
- (17) \$1,000,000 in fiscal year 2022 to support a Sea Urchin Hatchery working to properly care and restore an important part of the local ecosystem and economy;
- (18) \$2,548,290 in fiscal year 2022 for Conservation and Resources Enforcement;
- (19) \$431,937 in each fiscal year for the Disability Compensation Program for the Disability Compensation Program's modernization project;



- (20) \$70,000,000 in fiscal year 2022 and \$35,000,000 in fiscal year 2023 for the Unemployment Insurance Program Call Center to more efficiently provide unemployment insurance services;
- (21) \$9,700,000 in each fiscal year for centralized vacation payout statewide;
- (22) \$5,400,000 in fiscal year 2022 to maintain general assistance payments and help prevent homelessness and increase health and safety for unemployable individuals with disabilities;
- (23) \$500,000 in fiscal year 2022 for the Rental Supplement Program (RSP) to maintain the current assistance to low-income families;
- (24) \$832,500 in each fiscal year to retain in-community youth programs to allow for continued services;
- (25) \$520,000 in each fiscal year for operations at the Hawaii Youth Correctional Facility;
- (26) \$134,000 in fiscal year 2022 and \$1,137,000 in fiscal year 2023 for KOLEA maintenance and operations; and
- (27) \$14,300,000 in each fiscal year for homeless services, including the Housing First Program, Rapid Re-Housing Program, Family Assessment Centers, Homeless Outreach and Civil Legal Services, and the Stored Property and Debris Removal Program.

Your Committee on Conference worked diligently to meet the proportional maintenance of effort funding requirements established under ARPA. Many hours were spent to ascertain accurate appropriations to the University of Hawaii, Department of Education, and all other state departments. The federal maintenance of effort requirements mandate the State to provide proportional funding in fiscal years 2022 and 2023 to elementary and secondary education, and higher education relative to overall state funding over fiscal years 2017, 2018, and 2019. The State faced economic hardships engendered by the COVID-19 pandemic. Your Committee on Conference presents a budget that meets the MOE.

The Conference Draft of the executive budget also appropriates Elementary and Secondary School Emergency Relief (ESSER) funds to maintain personnel previously identified by the Executive branch for



reduction and to maintain the Office of Strategy, Innovation and Performance.

Strategic Reorganizations, Consolidations, and Restructuring

Your Committee on Conference believes it is important to continuously evaluate the structure of government and identify efficiencies and reduce duplication. Where applicable, government agencies should be working with each other to provide services to Hawaii's residents. With that in mind, and incorporating each department's executive budget requests, your Committee on Conference reduced vacant positions, changed means of financing for certain programs, and restructured, eliminated, or consolidated departments and programs to align with the State's goals and priorities and achieve greater effectiveness and efficiencies.

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

- (1) Consolidates the Land Use Commission, the Office of Environmental Quality Control, and the Office of Planning into a new budget program retitled as the Office of Planning and Sustainable Development;
- (2) Transfers 10.00 permanent positions from the Department of Labor and Industrial Relations' Research and Statistics Office (LBR901) to Economic Planning and Research (BED130) to consolidate research and statistics functions;
- (3) Transfers 2.00 permanent and 5.00 temporary positions from the Hawaii Tourism Authority (BED113) Tourism Research Office to Economic Planning and Research (BED130) to further consolidate research functions;
- (4) Creates new program IDs and transfers personnel and funds to Hawaii Army and Air National Guard (DEF116) and Hawaii Emergency Management Agency (DEF118) from Amelioration of Physical Disasters (DEF110);
- (5) Transfers the Department of Education's Office of Information Technology Services from State Administration (EDN300) to School Support (EDN400);
- (6) Creates a new program ID and transfers the UH Cancer Center from UH Manoa (UOH100) to UH Cancer Center (UOH115);



- (7) Transfers and consolidates 7.00 permanent positions, \$6,500,000 in federal funds, and \$464,372 in general funds from the Workforce Development Council to the Workforce Development Division to retain the positions while consolidating the duties into a single office;
- (8) Converts positions and programs funded by the Agricultural Development and Food Security Special Fund and the Agricultural Loan Reserve Fund to general funds in coordination with HB1298 and HB1299;
- (9) Converts 68.00 permanent positions in the Department of Agriculture's Plant Industry Division to the Pest Inspection, Quarantine, and Eradication Fund;
- (10) Converts 6.00 temporary positions in the Agribusiness Development Corporation from the Hawaii Agricultural Development Revolving Fund to general funds; and
- (11) Converts the Conservation and Resources Enforcement Special Fund, which receives funds from the Boating Special Fund, to general funds.

Your Committee on Conference understands that there are many competing needs that the State must address. Your Committee on Conference recognizes the State's role in overseeing and managing a range of services for our kupuna; addressing issues surrounding homelessness; investing in the development of affordable housing; funding early learning and kindergarten through grade twelve education, early college programs, and the Hawaii Promise program; and scaling alternative education and trauma informed care programs statewide.

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

- (1) Changing means of financing from \$2,687,824 in general funds to \$2,687,824 in federal funds for Kupuna Care and Aging Disability Resource Center;
- (2) Adding \$50,000,000 in revolving funds to Environmental Management Branch for Sewerage;
- (3) Adding \$3,200,000 in special funds in both fiscal years for Developmental Disabilities' Medicaid Waiver Administrative Claiming Special Fund;



- (4) Restoring \$3,110,946 in general funds for fiscal year 2022 for the Native Resources and Fire Protection Program to ensure proper care for the local environment;
- (5) Adding \$1,459,440 in general funds for 30.00 permanent Conservation and Resource Enforcement Officers to ensure proper protection and coverage for lands under their jurisdiction;
- (6) Adding \$771,980 in general funds for 12.00 unfunded permanent positions for Conservation and Resources Enforcement;
- (7) Restoring 6.00 permanent positions and funds for the Office of the Civil Rights Commission to provide proper legal counsel for the State's marginalized communities;
- (8) Restoring \$1,043,780 in general funds for the Office of Community Services to provide essential services to communities;
- (9) Restoring \$5,000,000 for the Harbors Division Special Maintenance Projects to ensure a continuation of construction related projects;
- (10) Adding \$24,111,848 in special funds for fiscal year 2022 and \$24,911,848 in special funds for fiscal year 2023 for Daniel K. Inouye International Airport to ensure the airport is in proper working condition as travel begins to reopen;
- (11) Restoring funds for sex abuse treatment, which would have had evening and weekend services eliminated under the proposed executive budget;
- (12) Funding the Tax System Modernization, providing greater effectiveness, efficiency, and automation;
- (13) Increasing ceiling for the Compliance Resolution Fund to allow for repairs needed for the King Kalakaua building;
- (14) Increasing ceiling for the Compliance Resolution Fund to allow for funds to be used for data integration across various divisions and departments;
- (15) Increasing ceiling for Compliance Resolution Fund to allow for funds to be used for the 5th VX Rail Server for UH



Data Center which hosts DCCA virtual servers and maintains IT security;

- (16) Adding funds for childcare payments and childcare block grant to maintain the level of services and care currently being provided;
- (17) Restoring Hilo Youth Challenge Academy, a community-based program that leads, trains, and mentors youth so that they may become productive citizens;
- (18) Adding \$250,000 for a proof-of-concept for the High Core Program, \$611,450 and 7.00 permanent positions for Papahana 'O Kaiona Alternative Learning Center (ALC), and \$3,000,000 in fiscal year 2022 and \$6,000,000 in fiscal year 2023 to expand Alternative Learning Programs across the State;
- (19) Adding \$676,222 in fiscal year 2022 for the Crime Victim Compensation Program; and
- (20) Restoring \$30,326,848 in fiscal year 2022 and \$35,926,848 in fiscal year 2023 of University of Hawaii program review reductions across all programs.

PART IV. CAPITAL IMPROVEMENTS PROGRAM BUDGET

Your Committee on Conference finds an opportunity to invest in the State's infrastructure while remaining fiscally prudent.

The Administration requested a capital improvement budget that totaled:

ADMINISTRATION	FY 2022	FY 2023
General Obligation Bonds	\$679,393,000	\$512,128,000
All Means of Financing	\$1,236,328,000	\$1,116,254,000

Your Committee on Conference has amended this budget to appropriate the following in capital improvement funds:

CONFERENCE	FY 2022	FY 2023
General Obligation Bonds	\$984,796,000	\$294,105,000
American Rescue Plan Act Funds	\$110,109,000	\$-
All Means of Financing	\$1,756,366,000	\$929,231,000



The projects funded are for critical infrastructure throughout the State.

The Conference Draft invests a substantial amount in projects improving and enhancing accessibility for rural communities, especially public schools and libraries to support virtual operations and distance learning:

- (1) \$14,163,000 in American Rescue Plan Act Funds and General Obligation Bond Funds for broadband and technology improvements for Hawaii Department of Education Schools, Statewide.
- (2) \$25,000,000 in American Rescue Plan Act Funds for broadband and technology improvements for Hawaii State Public Libraries, Statewide.
- (3) \$26,589,000 in American Rescue Plan Act Funds for ventilation improvements for Schools and Libraries, Statewide.

The draft provides \$458,428,000 in funding for school facilities and \$311,690,000 for the University of Hawaii system:

- (1) \$179,290,000 for improvements for University of Hawaii Statewide.
- (2) \$121,000,000 for improvements for University of Hawaii Community Colleges, Statewide.
- (3) \$3,500,000 for improvements for University of Hawaii at West Oahu.
- (4) \$10,900,000 for University of Hawaii at Hilo.

Your Committee on Conference also allocates \$65,250,000 for public hospital facilities, and \$21,250,000 for improvements for Intensive Care Units and COVID Care Units, Statewide.

The Conference Draft also increases to \$53,000,000 in Fiscal Year 2022 and \$25,000,000 in Fiscal Year 2023 for Department of Hawaiian Home Lands Projects, Statewide.

Your Committee on Conference further authorizes \$493,880,000 for Airports, \$224,907,000 for Harbors, and \$493,008,000 for Highways.

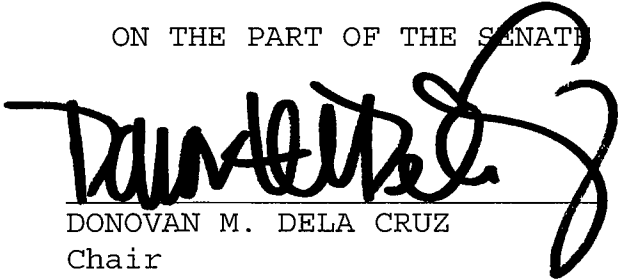


As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 200, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 200, H.D. 1, S.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE



DONOVAN M. DELA CRUZ
Chair


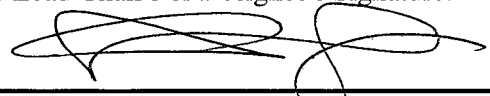


SYLVIA LUKE
Chair



Hawaii State Legislature
**Record of Votes of a
 Conference Committee**

CCR 180

Bill / Concurrent Resolution No.: HB 200, HD 1, SD 1					Date/Time: 4/19/21 2:35 PM				
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).									
<input type="checkbox"/> The Committee is reconsidering its previous decision.									
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.				
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
DELA CRUZ, Donovan M., Chr.	✓				LUKE, Sylvia, Chr.	✓			
KEITH-AGARAN, Gilbert S.C.	✓				BRANCO, Patrick Pihana				✓
ENGLISH, J. Kalani	✓				CULLEN, Ty J.K.	✓			
INOUYE, Lorraine R.	✓				ELI, Stacelynn K.M.	✓			
KANUHA, Dru Mamo	✓				HOLT, Daniel	✓			
KIDANI, Michelle N.	✓				ILAGAN, Greggor	✓			
MORIWAKI, Sharon Y.	✓				KOBAYASHI, Bertrand	✓			
SHIMABUKURO, Maile S.L.	✓				MARTEN, Lisa				✓
TANIGUCHI, Brian T.	✓				NISHIMOTO, Scott Y.	✓			
WAKAI, Glenn	✓				PERRUSO, Amy A.	✓			
FEVELLA, Kurt	✓				SAYAMA, Jackson D.	✓			
					TAM, Adrian K.	✓			
					WILDBERGER, Tina	✓			
					YAMASHITA, Kyle T.	✓			
					MCDERMOTT, Bob				✓
TOTAL	11	0	0	0	TOTAL	12	0	0	3
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused		
Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Senate Lead Chair's or Designee's Signature: 					House Lead Chair's or Designee's Signature: 				
Distribution:		Original <i>File with Conference Committee Report</i>			Yellow <i>House Clerk's Office</i>		Pink <i>Senate Clerk's Office</i>		Goldenrod <i>Drafting Agency</i>