



GOV. MSG. NO. 127B

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 6, 2021

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Thirty First State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirty First State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

I am transmitting herewith HB54 HD1 SD1 CD1, without my approval and with the statement of objections relating to the measure.

HB54 HD1 SD1 CD1

RELATING TO THE STATE BUDGET.

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

EXECUTIVE CHAMBERS

HONOLULU

July 6, 2021

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 54

Honorable Members
Thirty-First Legislature
State of Hawai'i

Pursuant to Section 16 of Article III of the Constitution of the State of Hawai'i, I am returning herewith, without my approval, House Bill No. 54, entitled "A Bill for an Act Relating to the State Budget."

The purposes of this bill are to:

1. Appropriate \$250,000,000 in general funds for fiscal year 2020-2021 to be deposited into the Emergency and Budget Reserve Fund;
2. Appropriate \$390,000,000 in general funds for fiscal year 2020-2021 for the actuarially required contribution for other post-employment benefits;
3. Amend House Bill No. 200, entitled "A Bill for an Act Relating to the State Budget," the General Appropriations Act of 2021, approved as Act 88, to:
 - (a) Appropriate \$78,923,678 in general funds for fiscal year 2021-2022 for debt service payments;
 - (b) Appropriate \$103,787,677 in moneys from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) under the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, § 9901, 135 Stat. 4, 223 (2021), for fiscal year 2022-2023 for debt service payments; and
 - (c) Make the bill effective upon its approval; provided that the deposit into the Emergency and Budget Reserve Fund and appropriation for other post-employment benefits take effect retroactively on June 30, 2021.

This bill is objectionable for the following reasons:

Funding for Debt Service

This bill is objectionable because the moneys from the SLFRF cannot be used for the payment of debt service, and as a result, the bill understates the amount of moneys necessary for the payment of debt service for fiscal years 2021-2022 and 2022-2023. The payment of debt service is a primary obligation of the State required by law. The amounts required to pay the debt service are \$238,944,470 for fiscal year 2021-2022 and \$257,446,927 for fiscal year 2022-2023. The bill amends House Bill No. 200 by adding an appropriation of \$78,923,678 from general funds for debt service payments for fiscal year 2021-2022 and an appropriation of \$103,787,677 for debt service payments from the SLFRF for fiscal year 2022-2023.

House Bill No. 200 provided the balances of the total amounts due for each fiscal year for debt service payments, \$160,020,792 for fiscal year 2021-2022 and \$153,659,250 for fiscal year 2022-2023. However, I needed to line-item veto those appropriations for debt service payments in House Bill No. 200 because both of those items were funded by moneys from the funds established under the ARPA. The use of SLFRF for debt service payment is prohibited by the final interim rules on the SLFRF, issued by the United States Treasury (Treasury) on May 1, 2021 (codified at 31 C.F.R. 35.6) (the day after the session ended), and there are no other funds established under the ARPA that the State is allowed to use for debt service payments. Consequently, general funds must be substituted for the appropriations from the ARPA to pay debt service in the correct amounts of \$238,944,470 (\$78,923,678 + \$160,020,792) for fiscal year 2021-2022 and \$257,446,927 (\$103,787,677 + \$153,659,250) for fiscal year 2022-2023. It would be appropriate to amend this bill to rectify the improper use of SLFRF funds appropriated in the bill, by adding the correct amount of general funds necessary for debt service payments to meet the State's obligations.

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HOUSE BILL NO. 54
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Notably, the lack of sufficient funding for debt service payments has consequences beyond this bill. In addition to the State's inability to satisfy its debt service payment obligations, the deficiency in funding hinders the State from satisfying the bond authorization requirements of House Bill No. 53, entitled "A Bill for an Act Relating to State Bonds," and thus from issuing general obligation bonds to fund various capital improvement projects that are authorized in House Bill No. 200 and House Bill No. 185, entitled "A Bill for an Act Relating to the Judiciary," the Judiciary Appropriations Act of 2021. If these bond authorization requirements are unmet, the State cannot issue general obligation bonds and the capital improvement projects cannot commence. Therefore, it is critical to appropriate general funds for the debt service payments for fiscal years 2021-2022 and 2022-2023.

In addition to my objections to the lack of sufficient appropriation of general funds and the appropriation of ARPA funds to pay for debt service, I also object to other instances where no appropriation has been made and/or where the ARPA funds that have been appropriated are inconsistent with the final interim rules published after the session had ended, and some clarifying action is needed to maintain the uninterrupted operation of important State functions.

Funding for the Major Disaster Fund

This bill is objectionable because it did not include funding for the Major Disaster Fund when it amended House Bill No. 200. The Major Disaster Fund is a statutorily established fund in the Department of Defense to provide initial funding to respond to emergencies and disasters in Hawai'i. I believe that not having funding will have a major detrimental impact on the Department of Defense's ability to respond to emergency situations when people's lives and properties are at stake. It would be imprudent for the Department of Defense not to have immediate access to funds to address a crisis. Waiting for identification of surplus funds and delays in securing those funds could jeopardize fast response to emergency situations. At minimum, funding for

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the Major Disaster Fund should include a general fund appropriation of \$5,000,000 for fiscal year 2021-2022 and \$5,000,000 for fiscal year 2022-2023 to insure moneys are readily available to meet this critical need.

Funding for Essential Programs and Services

Additionally, there were objectionable appropriations of federal ARPA funds in several other bills for which a general fund appropriation would be more appropriate.”

Effective date

The effective date upon approval for part II of the bill, which amends House Bill No. 200, is objectionable because those amendments should be effective on June 30, 2021 to avoid gaps in funding.

In summary, my objections to this bill are that (1) it understates the amount of moneys necessary for the payment of debt service for fiscal years 2021-2022 and 2022-2023, (2) it improperly appropriates ARPA funds for the payment of debt service, and (3) it fails to fund other essential programs or services of the State. It is my hope that the Legislature will amend this bill to meet my objections as it is authorized to do by section 16 of article III of the Constitution of the State of Hawai'i, and that it will make the amendments retroactive to June 30, 2021, to avoid gaps in funding.

For the foregoing reasons, I am returning House Bill No. 54 without my approval.

Respectfully,



DAVID Y. IGE
Governor of Hawai'i

A BILL FOR AN ACT

RELATING TO THE STATE BUDGET.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

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PART I

SECTION 1. There is appropriated out of the general revenues of the State of Hawaii the sum of \$250,000,000 or so much thereof as may be necessary for fiscal year 2020-2021 to be deposited into the emergency and budget reserve fund established pursuant to section 328L-3, Hawaii Revised Statutes.

The sum appropriated shall be expended by the department of budget and finance for the purposes of this Act.

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$390,000,000 or so much thereof as may be necessary for fiscal year 2020-2021 to provide the actuarially required contribution for other post-employment benefits.

The sum appropriated shall be expended by the department of budget and finance for the purposes of this Act.



1 PART II

2 SECTION 3. House Bill No. 200, H.D. 1, S.D. 1, C.D. 1,
3 passed by the legislature during the regular session of 2021 is
4 amended by adding two new sections to read as follows:

5 "SECTION 4.1. There is appropriated out of the general
6 revenues of the State of Hawaii the sum of \$78,923,678 or so
7 much thereof as may be necessary for fiscal year 2021-2022 for
8 Debt Service Payments - State; provided that of the general fund
9 appropriation for debt service under this section for fiscal
10 biennium 2021-2023, balances that are unrequired for debt
11 service payments may be used to pay for expenses related to
12 section 39-14, Hawaii Revised Statutes, and for costs of bond
13 issuance, or may be transferred to retirement benefits payments
14 (BUF741-BUF748) and health premium payments (BUF761-BUF768);
15 provided further that the funds shall not be expended for any
16 other purpose; provided further that any unexpended funds shall
17 lapse into the general fund at the end of the respective fiscal
18 year for which the appropriation was made.

19 The sum appropriated shall be expended by the department of
20 budget and finance for the purposes of this section.



1 SECTION 4.2. There is appropriated out of the funds
2 received by the State of Hawaii from the American Rescue Plan
3 Act of 2021, Public Law 117-2 (Section 9901) the sum of
4 \$103,787,677 or so much thereof as may be necessary for fiscal
5 year 2022-2023 to be used for Debt Service Payments - State;
6 provided that of the appropriation of funds received by the
7 State of Hawaii from the American Rescue Plan Act of 2021,
8 Public Law 117-2 (Section 9901) for debt service under this
9 section for fiscal biennium 2021-2023, balances that are
10 unrequired for debt service payments may be used to pay for
11 expenses related to section 39-14, Hawaii Revised Statutes, and
12 for costs of bond issuance, or may be transferred to retirement
13 benefits payments (BUF741-BUF748) and health premium payments
14 (BUF761-BUF768); provided further that the funds shall not be
15 expended for any other purpose; provided further that any
16 unexpended funds shall lapse into the general fund at the end of
17 the respective fiscal year for which the appropriation was made.

18 The sum appropriated shall be expended by the department of
19 budget and finance for the purposes of this section."

20 SECTION 4. New statutory material is underscored.



HB No. 54, HD 1, SD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 27, 2021
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-First Legislature of the State of Hawaii, Regular Session of 2021.



Scott K. Saiki
Speaker
House of Representatives

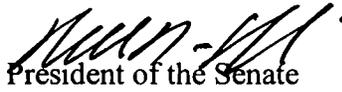


Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAI'I

Date: April 27, 2021
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-First Legislature of the State of Hawai'i, Regular Session of 2021.


President of the Senate


Clerk of the Senate