

2009 Legislative Highlights

At the start of the year, the legislature was immediately faced with a potential budget shortfall of \$2.1 billion by the end of the biennium, FY2010 and 2011. As the legislature is required by law to balance the budget, finding ways to close the gap became the highest priority. Even though money for projects and programs was extremely limited, I'm proud that we were able to maintain core services and lay the foundation for future projects when we are better able to afford their implementation.

Budget Solutions

State Budget. The budget for FY '10 and '11 was balanced by a combination of solutions. About 50% of the solution came through over \$800 million in budget cuts; 35% of the solution came from various government sources including non-general funds, penalties, enforcement and carryover balances; 10% came from tax increases; and 5% of the solution came from a one-time infusion of federal stimulus funds. The legislature made tough decisions on budget cuts, but we also saw it as an opportunity to refocus and streamline government where possible.

The legislature balanced the budget without having to raise the general excise tax, considered the most regressive of taxes, and tried to minimize the impact on the poor and the middle class.

The state budget totals \$5.1 billion in general funds and \$10.8 billion for all means of financing in FY '10, and \$5.2 billion in general funds and \$10.4 billion for all means of financing in FY '11.

Capital improvement projects (CIP) will help to stimulate the local economy and provide jobs. The budget includes over \$864 million in capital improvement projects using general obligation and general obligation reimbursable bonds, \$2.6 billion using other means of financing, and \$3.5 billion using all means of financing, over the biennium. **(HB200)** [CLICK HERE](#)

Tax Revenue Generation. A tax increase of any kind is difficult to propose. Any tax increase, no matter how modest, is going to impact a segment of the population. However, we tried to target the increases on a very small percentage of Hawaii taxpayers, including high income earners, those who earn more than \$150,000 filing singly, \$300,000 filing jointly, and \$225,000 filing as head of household **(HB1747)**; [CLICK HERE](#) raising the hotel room tax from 7.25% to 9.25% **(SB1111)**; [CLICK HERE](#) those who are selling property over \$2 million, and second homes and investment properties of any price **(HB1741)**; [CLICK HERE](#) and cigarette and tobacco sellers. **(HB1175)** [CLICK HERE](#) and **(HB895)** [CLICK HERE](#)

Energy Infrastructure. Even though gas prices and utility bills have come down over the past year, the Legislature remains committed to the policy of energy efficiency and reducing our dependence on fossil fuels. Building upon established programs, new legislation will require: establishment of energy-efficient portfolio standards; implementing those standards in public buildings; electricity-cost disclosure in the sale of residential property; establishment of a “Building Energy Efficiency Revolving Loan Program”; the use of renewable energy by electric utilities; and more assistance by government agencies in the development and permitting of renewable energy projects.

(HB1464)

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Energy and food security. One of the most innovative bills of the session increases the tax on a barrel of oil by \$1 and uses those funds specifically for energy and sustainability initiatives. These include the Hawaii Clean Energy Initiative and food security programs within Hawaii’s agricultural food production and processing industry. The bill strengthens Hawaii’s independence in energy and food production, and keeps our dollars circulating within our local economy. **(HB1271)**

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Business and Agriculture

Safe Food Certification. The Safe Food Certification pilot program will promote locally grown produce and facilitate purchasing agreements between Hawaii’s farmers and the visitor and hospitality industry. The program will be established within the Department of Agriculture, based around the development and implementation of safe food certification, and expected to play a major role in Hawaii’s sustainability movement. **(HB1471)**

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Hawaii product preference. Hawaii products, including fresh farm products, will receive a boost through a bill establishing stronger preference status in government procurement. The bill requires that more than 50% of Hawaii input is needed to qualify as a Hawaii product, gives a 10% reduction in bid price for Hawaii products, and a 15% reduction in price for agricultural products grown and harvested in the state. This is part of a larger public procurement code bill which also covers fair administrative review and protesting of the awarding of contracts. **(HB1470)**

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Affordable Housing

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The state budget bill addresses the need for more affordable housing by providing \$30 million for the Rental Housing Trust Fund and \$20 million for the Dwelling Unit Revolving Fund to assist in the development of low-income rental units and housing projects. The legislature also approved \$12.4 million for the Hawaii Public Housing Authority to tackle the repair and maintenance backlog.

Educational Facilities

Repair and Maintenance. The CIP budget includes \$304.7 million for various public school projects, \$170.5 million of which is dedicated to reducing the repair and maintenance backlog. Within the University of Hawaii system, the legislature appropriated \$203.7 million for university projects, \$143.1 million of which will be used to address repair and maintenance. **(HB200)** [CLICK HERE](#)

Health

Keiki Care. The Keiki Care pilot program provides basic health insurance for children who are uninsured and do not qualify for other programs. The administration terminated Keiki Care last year, but the legislature saw the need within the community and extended it to 2012. The primary health care services will be provided by federally qualified health centers through an appropriation of \$200,000 per year. **(HB989)** [CLICK HERE](#)

Hospital Medicaid reimbursements. Access to healthcare is one of the state's most critical problems. The legislature appropriated \$12.3 million in order to qualify for \$12.5 million of federal Medicaid allowance funds. This will help Hawaii hospitals provide care to low income patients statewide. As an indicator of its importance, this was the largest general fund appropriation, and only one of three, outside the state budget bill. **(SB423)** [CLICK HERE](#)

Community Hospitals. Our statewide community hospital system is managed by the Hawaii Health Systems Corporation (HHSC), the fourth largest public hospital system in the nation. HHSC faces serious financial shortfalls and management issues, yet they remain essential in providing a safety net for hospital and long-term care services for Hawaii residents. The legislature passed a bill that redesigns the corporate structure, giving the HHSC regions greater flexibility to manage services and handle labor relations. This is expected to improve efficiency and result in cost savings. The bill also authorizes the transition of the system to a new entity outside HHSC under certain conditions.

(SB1673) [CLICK HERE](#)