

SIXTY-FIRST DAY

Thursday, May 7, 2009

The House of Representatives of the Twenty-Fifth Legislature of the State of Hawaii, Regular Session of 2009, convened at 10:07 o'clock a.m., with the Speaker presiding.

The invocation was delivered by Mr. Jensen Chang, son of Representative Chang, after which the Roll was called showing all Members present with the exception of Representatives Bertram and Takai, who were excused.

On motion by Representative Evans, seconded by Representative Pine and carried, reading of the Journal was dispensed with and the Journals of the Forty-Sixth, Forty-Seventh, Forty-Eighth and Forty-Ninth days were approved. (Representatives Bertram and Takai were excused.)

GOVERNOR'S MESSAGES

The following messages from the Governor (Gov. Msg. Nos. 331 through 342) were received and announced by the Clerk and were placed on file:

Gov. Msg. No. 331, informing the House that on May 6, 2009, the following bill was signed into law:

S.B. No. 896, SD 1, HD 2, entitled: "A BILL FOR AN ACT RELATING TO CIVIL SERVICE LAW." (ACT 043)

Gov. Msg. No. 332, informing the House that on May 6, 2009, the following bill was signed into law:

H.B. No. 1414, HD 1, SD 1, entitled: "A BILL FOR AN ACT RELATING TO METAL." (ACT 044)

Gov. Msg. No. 333, informing the House that on May 6, 2009, the following bill was signed into law:

S.B. No. 979, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO COMMERCIAL DRIVERS." (ACT 045)

Gov. Msg. No. 334, informing the House that on May 6, 2009, the following bill was signed into law:

S.B. No. 1056, SD 2, HD 2, entitled: "A BILL FOR AN ACT RELATING TO COMMERCIAL DRIVERS." (ACT 046)

Gov. Msg. No. 335, informing the House that on May 6, 2009, the following bill was signed into law:

H.B. No. 267, HD 2, SD 1, entitled: "A BILL FOR AN ACT RELATING TO THE MOTOR VEHICLE RENTAL INDUSTRY." (ACT 047)

Gov. Msg. No. 336, informing the House that on May 6, 2009, the following bill was signed into law:

H.B. No. 319, HD 1, SD 1, entitled: "A BILL FOR AN ACT RELATING TO FAMILY LEAVE." (ACT 048)

Gov. Msg. No. 337, informing the House that on May 6, 2009, the following bill was signed into law:

H.B. No. 1075, SD 1, entitled: "A BILL FOR AN ACT RELATING TO INSURANCE." (ACT 049)

Gov. Msg. No. 338, informing the House that on May 6, 2009, the following bill was signed into law:

H.B. No. 1270, HD 1, SD 2, entitled: "A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY." (ACT 050)

Gov. Msg. No. 339, informing the House that on May 6, 2009, the following bill was signed into law:

S.B. No. 161, HD 1, entitled: "A BILL FOR AN ACT RELATING TO EDUCATION." (ACT 051)

Gov. Msg. No. 340, informing the House that on May 6, 2009, the following bill was signed into law:

S.B. No. 537, SD 2, HD 2, entitled: "A BILL FOR AN ACT RELATING TO AEROSPACE." (ACT 052)

Gov. Msg. No. 341, informing the House that on May 6, 2009, the following bill was signed into law:

H.B. No. 1436, HD 1, SD 1, entitled: "A BILL FOR AN ACT RELATING TO AGRICULTURE." (ACT 053)

Gov. Msg. No. 342, informing the House that on May 6, 2009, the following bill was signed into law:

S.B. No. 718, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO TRANSPORTATION." (ACT 054)

SENATE COMMUNICATIONS

The following communications from the Senate (Sen. Com. Nos. 781 through 785) were received and announced by the Clerk:

Sen. Com. No. 781, transmitting H.C.R. No. 27, H.D. 1, entitled: "HOUSE CONCURRENT RESOLUTION REQUESTING A STUDY OF DISPARATE TREATMENT IN HAWAII'S CRIMINAL JUSTICE SYSTEM," which was adopted by the Senate on May 6, 2009.

Sen. Com. No. 782, transmitting H.C.R. No. 49, H.D. 1, entitled: "HOUSE CONCURRENT RESOLUTION URGING FULL PRESERVATION OF UNITED STATES MARINE CORPS AIR STATION EWA AS A NATIONAL MONUMENT, MUSEUM, AND RESTORED PARK FOR THE STATE OF HAWAII," which was adopted by the Senate on May 6, 2009.

Sen. Com. No. 783, transmitting H.C.R. No. 100, H.D. 1, entitled: "HOUSE CONCURRENT RESOLUTION PROCLAIMING SEPTEMBER 24, 2009, AS ISLAM DAY," which was adopted by the Senate on May 6, 2009.

Sen. Com. No. 784, transmitting H.C.R. No. 207, H.D. 1, entitled: "HOUSE CONCURRENT RESOLUTION REQUESTING A JOINT AGENCY STUDY ON THE IMPACT OF ILLEGAL IMMIGRATION IN HAWAII," which was adopted by the Senate on May 6, 2009.

Sen. Com. No. 785, transmitting H.C.R. No. 304, entitled: "HOUSE CONCURRENT RESOLUTION CONDEMNING THE HUMAN-RIGHTS ATROCITIES AND VIOLENCE AGAINST CHILDREN IN NORTHERN UGANDA AND THE DEMOCRATIC REPUBLIC OF THE CONGO, AND URGING CONGRESS TO LEAD THE INTERNATIONAL COMMUNITY IN EFFORTS TO PROTECT THE CHILDREN OF UGANDA AND THE DEMOCRATIC REPUBLIC OF THE CONGO," which was adopted by the Senate on May 6, 2009.

INTRODUCTIONS

The following introductions were made to the Members of the House:

Representative Manahan introduced his legislative staff, Mr. Felix Yaranon, Jr., Ms. Karen Kawamoto, Ms. Doreen Tanaka, and Office Manager, Ms. Lori Tomczyk.

Representative McKelvey introduced ILWU members from Maui, Mr. Steve West from South Maui, and Mr. Jason Medeiros.

Representative M. Lee introduced her legislative staff, Ms. Ramona Ferreira and her family visiting from New York City: Ms. Carmin Carminderios, mother; Ms. Carmen Perez, grandmother; Mr. Deonis Taveras, brother; and Mr. Jaden Taveras, nephew. They were accompanied by legislative staff, Mr. Shawn Leavey and Mr. Lloyd Nakahara.

Representative M. Lee also introduced nursing leaders in Hawaii, in honor of Nurses' Day: Dr. Steve Kula, Chair of the Board of Nursing; Ms. Kathy Yokouchi, Director of the Board of Nursing; Ms. Gail Tiwanak, Executive Director of the Hawaii State Center for Nursing; Ms. Barbara Matthews, founding Executive Director of the Hawaii State Center for Nursing; Ms. Mary Boland, Dean of the UH Manoa School of Nursing; Mr. Wailua Brandman, President of the Hawaii Association of Professional Nurses; and Mr. Kevin Mulligan, Board Member of the Hawaii State Center for Nursing.

Representative Chang introduced his son, Mr. Jensen Chang, his daughter-in-law, Mrs. Kammy Chang, and grandsons, Calib, Seth, and Jedediah Chang.

Representative Finnegan introduced constituents from Foster Village, Mr. Bob and Mrs. Ingrid Kilthau.

Representative Evans introduced former Big Island resident, Mr. Mark McGuffie with Enterprise Honolulu, and former Big Island Mayor, Mr. Dante Carpenter.

Representative Wooley introduced her constituent, Mr. Robert Harris, Director of the Sierra Club.

Representative Pine introduced the head of the Hawaii Republican Assembly, Mr. Paul Smith.

ORDER OF THE DAY

SUSPENSION OF RULES

On motion by Representative Evans, seconded by Representative Pine and carried, the rules were suspended for the purpose of considering certain House bills and Senate bills for Final Reading by consent calendar. (Representatives Bertram and Takai were excused.)

UNFINISHED BUSINESS

Conf. Com. Rep. No. 167 and H.B. No. 200, HD 1, SD 1, CD 1:

Representative M. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 200, HD 1, SD 1, CD 1, pass Final Reading, seconded by Representative M. Lee.

At 10:19 o'clock a.m. Representative Pine requested a recess and the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 10:20 o'clock a.m.

Representative M. Oshiro rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. Mr. Speaker, I rise in support of this measure. Let me begin this morning by thanking Chair Kim and the members of the Senate Committee on Ways and Means and the Ways and Means staff. I want to extend my sincere gratitude to all of you for your hard work and dedication. I can say without a doubt that this has been the most difficult year in my legislative career. However, none of the difficulty has stemmed from my dealings and negotiations with my counterpart, Ways and Means Chairperson, Donna Mercado Kim.

"Mr. Speaker, I can recall my first year as Chair of Finance in 2007, when there was a 'feast,' and my job was made easy by the experienced staff that I had inherited from previous Chair Takamine. 2007 wasn't that long ago, but I couldn't imagine how difficult it would be to learn this job this year. This has truly been on the job training in a hot kitchen, baptism by fire. And to Chair Kim, I appreciate all your efforts, your demeanor, candor and honesty throughout the process.

"I also want to thank the members of the Finance Committee. You know who you are, and the long hours we spent together. The moments we spent yesterday to take pause and reflect upon the good work that we've done over these past several months was important for me. I consider us amongst the privileged. And those who sit on the Finance Committee, I have got to tell each of you, 'Thank you. Mahalo.'

"I'd also like to thank and give a special acknowledgement to Representative Barbara Marumoto, who joined us on the Conference Committee, representing the Minority Caucus of this Chamber. Mr. Speaker, we have been through a lot this year, and I truly appreciate your support, input and guidance, and that of leadership, as we developed this budget. We have much work to do in the interim, and I look forward to working with all of you in the coming months.

"I also want to thank publicly my Vice Chair, Representative Marilyn Lee. Without her support, my job would certainly be much more difficult. Finally, I'd like to thank the Finance Committee staff, both the full time and session staff, the researchers, and analysts, for all the long hours and research and the support, not only in the budget, but in all of the Committee hearings. Their work was daunting, but without the leg work and logistical support they provided, we wouldn't be here today. And, Mr. Speaker, if I may take pause and ask for your permission, I'd like them to stand and be recognized by this Body. Please stand.

"Thank you, Mr. Speaker. Thank you, Members. And I ask that my Journal comments memorializing this cadre of analysts and researchers be entered into the Journal."

Representative M. Oshiro submitted the following:

"But, before I proceed, I need to recognize some very important people whose hard work and inquisitive natures continue to serve us well. These are the Finance Committee Permanent and Session Staff:

- Tracy Kubota – Administrative Assistant
- Jo Hamasaki – Zookeeper / Iron Chef Finance / Research and Budget Assistant
- Carmen Rodrigues – Legislative Aide
- Taryn Lum – Legislative Aide
- Lei Learmont – Legislative Aide
- Sallie Hamada – Legislative Aide
- Randall Hiyoto – Research Chief
- Stacey Tagala – Research Supervisor
- Erik Abe – Researcher
- Nicole Saul – Researcher
- Jennifer Taylor – Researcher
- Michael Ng – Budget Chief
- Eric Nouchi – Budget Supervisor
- Puna Chai – CIP Specialist
- David Hawkins – Budget Analyst
- Tijay Syn-Rodrigues – Budget Analyst
- Jonathan Conner – Budget Analyst
- Susan Fernandez – Budget Analyst
- Alexandra Coelho – Budget Analyst
- Michael Bomhoff – Budget Analyst
- Leslie Goo – Budget Analyst
- Nandana Kalupahana – Committee Clerk"

Representative M. Oshiro continued, stating:

"And finally, Mr. Speaker, I want to thank the public and those in the gallery here today, as well as in the past, and those watching us on TV.

You are the ones who elected us to make these difficult decisions. You are the ones that we are ultimately accountable to. Our system of government relies on your input and your participation.

"Mr. Speaker, in a difficult year like this, we must all take responsibility and make hard decisions. We are proposing to cut services. This will have real impacts on real people. We are also proposing to raise taxes. No one will be completely happy with this budget. To those who want us to cut even more from the budget, my reply to them is this: We tried. We gave it our best. The House draft of the budget had over 300 cuts or layoffs and eliminated three programs. The Senate draft of the budget had different cuts and eliminated other programs. Both Chair Kim and I received tremendous criticism for our decisions.

"When we asked the Governor to offer alternatives, her simple reply was, 'No. Use my plan.' It was, 'my way or the highway.' Her plan, Mr. Speaker, would involve furloughs, and she wanted us to include the salary cuts ..."

Representative Magaoy rose to yield his time, and the Chair "so ordered."

Representative M. Oshiro continued, stating:

"Thank you, Vice Speaker. And she wanted us to include these proposed salary cuts in the budget. Mr. Speaker, the Legislature has never interfered in the labor and negotiations process before. When times were better, the Legislature never set aside a pot of money for raises. Now that times are not good, why would the Legislature set aside a 'place order' for reductions? The negotiation process involves two parties. For the Legislature, or any third party to interfere with negotiations would be to taint the entire process. And because the Governor and the respective unions are still in the negotiation process, the exact dollar amount is unknown. I've heard this amount go from \$96 million, to \$278 million, to \$203 million.

"Mr. Speaker, if the Governor's budget was a construction project, it would be over-budgeted, over-sized, under-funded, and delayed from all the numerous change orders described in numerous, frequent, and late Governor's messages. For example, there was a late request to find \$14 million to fund HHSC, our community hospitals. We also received a late request to fund \$8 million for Adult Mental Health Service. And as late as April 17th, another change order was sent down to find \$50 million to address a Medicaid shortfall.

"Mr. Speaker, I support this budget, not because I like what it does, but in spite of what it does. The honest truth is this budget cuts important programs, heavily in the big four. the Departments of Health, Human Services, Education, and Higher Ed. The Governor had the easy task of plucking the low hanging fruit. More than 50% of the Governor's proposed cuts, about \$100 million per year came from the assumption that she would be able to refinance debt, bond debt over the next 13 months.

"We, on the other hand, had to cut both marrow and bone. Reflecting upon the scale and scope of these cuts leaves me somber and solemn, and I feel that the people who need us the most, the aged, the mentally challenged, the physically impaired, the socially-wanting, the diseased, the despondent, and the afflicted, will bear the greatest impact. History reveals the tragic pattern again and again, that those who need government the most, often influence government the least. The squeaking wheel may get the oil, but the voiceless pool, only get the spoils.

"So, I still do support this budget, Mr. Speaker, because working with the Chairs of Education, Higher Education, Health, and Human Services, who have been the voice to the voiceless, the guardians of the common good, fought for restoration of several programs cut by the Governor. Because of their insistence and leadership, we were able to restore funding of core services.

"Finally, Mr. Speaker, in speaking about this budget, I'm going to use the 'B' word. The 'B' word. Yes, Mr. Speaker, we got bailed out. Yes, we had to make extremely difficult choices in budgets and raising taxes, but we also got tremendous help from the federal government. The State of

Hawaii did get a bailout. This budget appropriates about \$942 million in federal stimulus funds over the next two years. These funds will help mitigate the decline in State funds. But, it is important to remember that these federal stimulus funds have strings attached to them, and we can't spend them on anything we want. And they will be gone, come July 2011."

Representative Har rose to yield her time, and the Chair "so ordered."

Representative M. Oshiro continued, stating:

"Thank you, Mr. Speaker. We cannot squander this opportunity. We need to spend the upcoming interim developing strategies to reinvent, right-size, invigorate our government and government services. It was the hope of Ways and Means Chair Kim and myself, that we could get the discussion of the core functions of government this Session. And that is why, Mr. Speaker, we redesigned our budget testimony format. The submittals requested and provided by the departments were supposed to rank and rate each and every program of State government. Unfortunately, the vast majority of agencies, departments, and divisions refused or were unable to provide prioritization of their programs and functions. There could be no excuse to not pursue these goals during the upcoming interim. I sincerely hope the Governor and her Administration will actively participate with us in this process.

"Mr. Speaker, at the beginning of the Session, you challenged us to treat this budget crisis as an opportunity for reform. We should not be afraid to change when for the common good. Challenge requires solutions that may unleash our creativity, overturn conventional thinking, and remove barriers of political fear. Mr. Speaker, we have taken your words to heart and been encouraged by them.

"When we made an attempt to reprioritize and reorganize functions in State government, change what is broken, fix what is flawed, and seek the common good, we have sought to use the budget crisis to assess where we are and where we can be and should be. But has it been easy? Certainly not. Still, the need and the seeds of change are planted in this budget, and it will eventually bear good fruit. I am proud of the work done by this Legislature, in considering, debating and wrestling with options to balance the budget. We have done so honestly, openly and respectfully. Mr. Speaker, you yourself have shown great foresight and courage in exposing a reluctant Body to the inevitable choices we soon face in addressing government costs in an era of declining revenues. Thank you, Mr. Speaker for bringing us to those bridges we soon have to cross, for patience in delaying that cross, and for leading the way for a better and safer cross in the near future.

"The Governor had celebrated much promise of working together which withered away too soon. Her 'my-way-or-the-highway' approach drew only deeper lines in the sand. The irony in the Governor's attacks is that she maligns us with doing what she has been unwilling to do: provide leadership. Provide clear and honest answers. Promote the common good. Foster *laukahi*, *laulima* and *aloha*. The Governor's reckless attacks, threats and innuendos have only one goal: to divide our communities and constituencies, to pit neighbor against neighbor, friend against friend, public against private, town against country, Neighbor Islands against Oahu, to foster a wedge of resentment between our people. This is not *aloha*, and this is not Hawaii.

"Rather than dividing our communities, we should be uniting them, reminding each other that we are in this place together. That we are linked, and that we should, and we must bring out the best in each other. We will not survive these turbulent waters if we only think about ourselves. One man alone cannot move such a large canoe.

"Mr. Speaker, I do not believe our work ends here. To the contrary. It begins here. Indeed, we have been reprieved from further and deeper cuts for now. Reprieve from large and more taxing proposals to be considered for now ..."

Representative Rhoads rose to yield his time, and the Chair "so ordered."

Representative M. Oshiro continued, stating:

"Thank you. I'll be winding up soon. Reprieve from large and more taxing proposals for now, but let's not slumber in our sleep, for that perfect storm still approaches from outside shores. And, it is just below the horizon, steady in pace, gaining in speed, but predictable in arrival. We need to realize that someday soon, we will actually have to get our fiscal house in order for this new economy and this new century.

"A year ago, we warned of declining revenues. We sounded alarm to the Governor that you cannot have it all. We faced condescension and reproach from above. But through it all, we maintained our focus upon our mission and goal. A balanced budget for all, with budget burden shared by all.

"Finally, in closing, please know, Mr. Speaker, that I am still hopeful that collaboration is possible, that reconciliation can be achieved, the compromise can bring us all together on common ground. In the true meaning of the Aloha Spirit, we will persevere. In time, these rough seas will pass and we will enter into calmer, more peaceful waters. We will be stronger as a community, more caring as a people, more understanding, and more unified in purpose than we were just a few months ago. Let's get to work. Thank you, Mr. Speaker."

Representative Ward rose to speak in support of the measure with reservations, stating:

"Mr. Speaker, I rise with strong reservations. Mr. Speaker, I'm indebted to the words of the Finance Chair, however, I think he's reading from a different Constitution. The Constitution of the State of Hawaii says, we, the House of Representatives is responsible for the budget. Not the Governor in all of this divisiveness that he is actually sowing, rather than solving. So, Mr. Speaker, we, when everybody in the State of Hawaii says 'Why did you do this?' We are the ones who passed it, and that's what we're doing today, Mr. Speaker. Let us be very clear on that.

"Mr. Speaker, let's give some background on what this budget's all about. It's based upon tax increases. It's based upon 'blood on the floor' of cutting employees. The context of that, the background, the environment that we're in. Hotel occupancy is at a 22 year low. Visitor arrivals down 14%. Spending down 18%. Foreclosures up 500%. Construction down 8%. We've lost 32,000 jobs.

"Mr. Speaker, with that background, why are we raising the TAT tax? 1% equals 3,200 jobs. So, we've raised it 2%, as was one of the foundations of this budget. 6,400 jobs when the industry is hurting. Mr. Speaker, I'm sure that you saw Doc Kelley's op ed piece in the *Advertiser* a few days ago. He said raising the TAT tax is disastrous. Now, this is the man who has given his life, his family, his whole being, to the tourism industry ..."

Representative Manahan rose to a point of order, stating:

"Mr. Speaker, a point of order. I don't think he's talking about this bill."

The Chair responded, stating:

"No, the Chair will allow Representative Ward to continue, since it is related to the overall budget and that we have a balanced budget with the minus 5% growth. Please continue."

Representative Ward continued, stating:

"Budgets are crafted to meet the economic times, and I think if we forget the economic times, you forget the methodology by which we are using. And, that's why the context of the TAT tax is asked and brought into question. Why, when real estate is down are we raising the Conveyance Tax? Why, when small businesses are hurting are we raising the taxes on them? And, Mr. Speaker, I think it's because of the false assumptions of which the former speaker said, we just don't believe what the Governor said. Number one, you can't balance the budget if you have no tax increases. She has said that, and she is going to deliver that. She says you can balance the budget without cutting employees. The lack of belief of the Finance Committee is really what's at stake here.

"Mr. Speaker, part of our budget is 67% to 70% of every tax dollar goes to wages, it goes to benefits, it goes to keeping the corpus or the human component, our staff. But, Mr. Speaker, rather than having all of us equally share, who work for the government, we are putting it out there onto the people who then will have to pay higher taxes. I think there's almost half a billion dollars of tax increases on which this budget is based.

"Mr. Speaker, let me just droll down a little bit into some specifics of DBEDT and what it does. It carves, it cuts, it makes a mess, when we should be stabilizing, we're reorganizing. While the ship is going down, the Titanic example, let's rearrange the deck chairs. Mr. Speaker, what's been done to DBEDT? The Aloha Development Corporation supposedly is transferred to the Department of Transportation, yet the funds don't appear in the DOT's budget.

"Mr. Speaker, we have some of the best and the brightest on the Finance Committee. Why has that not taken place? Why is a position from, for example the HTA liaison for tourism transferred to the Governor's office, but there's no money for that. Why are we doing all of this shell game reorganization, when in effect, when an economy is wobbling, we need to have the ship, the captain and the crew, stable, going forward, all reading off the same sheet of music. But, instead of that, we've decided to make it wobble. We've decided to make it discombobulated.

"Other things that are going on in DBEDT. It seems that despite the budget, and what has been shifted, the \$300,000 general funds were appropriated to match the \$5.5 billion in federal funds that we'll be receiving. According to DBEDT, this extreme uneven match could jeopardize federal funds. What we're giving and what we're jeopardizing getting back, Mr. Speaker, is in jeopardy.

"If we pass a budget that dismantles programs, for example, also in DHS, Director Koller brought in an extra \$175 million, but yet, one of the versions of this budget actually got rid of her position. Hopefully it was inadvertently. But, Mr. Speaker, another unkind cut, and I speak for my district which, like many districts that have mountains, that have hills, they have rock falls. I personally find it questionable that we're spending \$500,000 for fencing Lake Wilson, while the rock fall mitigation program may be in jeopardy, and these are lives of people.

"So, in conclusion, Mr. Speaker, this budget moves, removes, cripples, and renders ineffective as much as it can the Executive Branch. At a time ..."

Representative Thielen rose to yield her time, stating:

"I yield my time. So, I encourage him to speak longer."

Representative Ward continued, stating:

"I was going to say that I was just about in conclusion. In summary, Mr. Speaker, the point is this. We're doing reorganizations when we should be doing stabilizations. We're doing taxation when we should be lowering the cost of living. We're doing the exact opposite of what the times call for. Raising taxes when the economy is tough is going to pull out, as I said earlier, almost \$500 million from the pockets of the people of Hawaii. Mr. Speaker, that's tough. And you know macroeconomics say consumer spending, keeping the pipeline filled, people eating out, people buying cars, that's what keeps us stabilized. And, in the long run, that's what's going to be the view of what this budget will be witnessed as. This gives us a short range fix, but a long range super headache, Mr. Speaker.

"I don't believe that there's any 'Big Five' accounting firm that would buy into the rationale of the budget, given the times that we are in. The no-rational basis of what we're asking the public to do in times which, Mr. Speaker, I think we just really need to rethink how we spend the people's money, particularly given the tax increases on the basis of which this is built. Thank you."

Representative M. Lee rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. Before I begin, I just also would like to add my thanks to the members of the Finance staff; brilliant and cool-headed, and a pleasure to work with. Thank also to the members of the Finance Committee. You all deserve stars. And to the Finance Chair, you are a star.

"Mr. Speaker, according to the Center on Budget and Policy Priorities, 29 states faced a total budget shortfall of at least \$48 billion in 2009. It could be said that the nation has the fiscal flu. Now, preparing the budget for 2010 and 2011, Hawaii joins others in the nation struggling to create a balanced budget with decreasing revenues. Our options are narrow by constitutional limits and the persistent credit crunch. Make no mistake, there are cuts in this budget we agonized over, and we're forced to make tax increases that will cause some pain. But, in the words of Peter Harkness, writing in the *Potomac Chronicle*, balancing the state budget with spending cuts alone is next to impossible.

"Some criticism of our attempt to balance the budget has been raised from those who are not economists, and not experts on Hawaii's economy. Some criticisms are merely based on the need to appear politically correct. However, professional economists, like Paul Brewbaker, have another take on this. When asked in an interview on *The Hot Seat*, April 26th, in the *Honolulu Advertiser*: What kind of effect increasing our State taxes will have on Hawaii's economy? Brewbaker replied:

The recession was intensified by a dramatic loss of wealth, such as houses and stocks, and a nearly unprecedented decline in consumption. Now, if people have money, they don't spend as much of it as they used to. Conversely, if you take money away from people, it doesn't reduce consumption expenditure as much as it used to. The marginal propensity to consume has decreased, and marginal savings propensities have increased. Adding or subtracting income has a smaller impact on consumption than used to be true.

"Brewbaker says that when government spending is decreased, it really does affect people, dollar for dollar, because the services will not be there. He believes blending tax or fee increases with government spending decreases in order to balance the budget is not bad policy. Let me repeat, not bad policy.

"Writing in the *Sacramento Bee* on December 15th, 2008, Jean Ross opined about the vital role government plays in the economy. Government pays for essential services, like education and infrastructure, providing income to individuals and businesses statewide. When budgets are cut, people working in the schools, construction and healthcare lose their jobs. Demand for products decrease, and it hurts the economy even more. Every dollar cut from state spending has the potential of driving the economy deeper into recession. Ross says, 'Targeted tax hikes are the best way to cut the deficit.'

"Our proposals for a progressive income tax increase make a lot of sense, and far outweigh the arguments for an increase in the regressive GET. High earners save a significant part of their income, and spend more outside of the State on things like travel and luxury goods. In addition, most higher income taxpayers can export part of a State personal income tax increase to the federal government, by deducting their Hawaii taxes on their federal returns. The GET, on the other hand would hit low income people, the elderly, and small business the most.

"Regarding tourist taxes, that's a big 'bugaboo.' The fear of tourists not coming because of the modest increase seems oversimplified. The TAT has not been raised in 10 years, and it's far lower than many tourist destinations. Take New York City for example, the most visited city in the United States. Some would say it is purely a business destination, but tell that to the people on 42nd Street, 5th Avenue, 7th Avenue, and the vendors out at Coney Island, or the Statue of Liberty. One night at a hotel in New York City could cost more than \$43 above the quoted room price. On a \$295 room, one would pay \$14.75 in city tax; \$24.72 in state tax; a \$2 New York occupancy tax; and a mandatory \$1.50 New York City Javits Center tax. Incidentally, for \$295, you get a 4x4 room with thin towels, noisy neighbors, and possible bed bugs.

"Here, you get to breathe the air of one of the 10 cleanest cities for ozone air pollution, and the number three cleanest city in the U.S. for long term particle pollution.

"Writing in the *Sunday Advertiser* on April 26th, the Minority Leader had said ..."

Representative Yamashita rose to yield his time, and the Chair "so ordered."

Representative M. Lee continued, stating:

"Thank you, Mr. Speaker. Thank you, Representative. Writing in the *Sunday Advertiser* on April 26th, the House Minority Leader said that Hawaii tourists staying seven days in a \$175 room would have to pay \$113 in tax, almost the cost of the room. Well, New York City, staying seven days in a \$295 room would cost you \$301, way more than the cost of the room.

"The federal stimulus package will help this budget in the schools and with Medicaid this year, but it has been said that the State and local financial systems are a fiscal 'time bomb.' The U.S. Government Accountability Office has concluded that without major policy changes, states will be in crisis, especially in the area of Medicaid, where costs are growing exponentially. Healthcare reform is, at best, a distant accomplishment for the Administration in Washington. Locally, we've made efforts to deal with the growing elderly population by planning and studying the issues. However, unless we take some action in the near future, the deluge will overwhelm us.

"Writing in the *Potomac Chronicle*, Donald Kettl said, 'Medicaid costs seem likely to outstrip economic growth for the next 25 years.' That said, this budget has been balanced with a combination of spending cuts, use of reserves, and revenue generation. Despite all of the hard work and effort, we may have to return next year to do more of the same. Let's hope the small signs of recovery we're seeing are not fleeting. We need to work together to help our State recover. And with the help of both government and the private sector working together, we will succeed. What we're doing is not rocket science. It has been and is being done all around the country today. Thank you, Mr. Speaker."

Representative Pine rose to speak in support of the measure with reservations, stating:

"Thank you, Mr. Speaker. In support with reservations. I take great umbrage in the Finance Chair attacking the Governor in saying that she's trying to divide Hawaii, and trying to pit one community against the other, because as I said last year at the end of Session, 'Gosh, I just wish you folks would all get to know her a little better.' And I learned something really interesting during the Conference Committee meetings, and trying to help negotiate a couple of bills.

"I was talking to a Chair and we had a disagreement on a particular line or two, and I said, 'Why don't you just go talk to the other Chair in the Senate and see if he's okay with that?' And he says, 'No, there're certain protocols. You just don't do that.' And I realized that there's a lot of that stuff that's going on here and that went on this Session. Everyone's pitting the Governor against the Legislature, and the Legislature against the Governor. And I think all of us truly believe that we're doing our best. I know her very well, and I know that she's not trying to divide this community.

"This budget however has many flaws, and in some cases, it would appear to a cynic to be very vindictive to those who've tried to straighten some things out, and hit the Legislature with some common sense. I'm very disturbed by many of the different cuts, which I know my colleagues will mention, but in particular, in the Attorney General's Office. The Majority theme seems to be from a cynic's point of view, that they're going after their political opponents through the budget.

"In this budget, the Majority deleted Bridget Holthus' position as Special Assistant to the Attorney General. The Department reviews every bill introduced in the Legislature, submits testimony to the Legislature, and

provides advice and informational response to individual legislators' requests. This Special Assistant position is responsible for managing of these responsibilities relating to the Legislature. Moreover, this is the only position in the AG's Office responsible for responding to requests for information from the public and the media. And that is just one of the many hurtful cuts that were made to the Governor's particular appointees.

"I'm also concerned about some of the confusion in the budget, especially in Department of Education. For many years, there has been a debate between the Legislature, the Governor's Office, and the public about just how much we spend on each student. And if you add everything up that relates to the Department of Education, from teachers' salaries to what we spend on food, buses, Hawaii ranks as one of the highest in the nation, in terms of what we spend per pupil.

"In 2006, Hawaii passed Act 51, in an effort to consolidate DOE's expenses and responsibilities within the DOE. It was a move to cut down the bureaucracy, increase transparency, and push decision-making to those with knowledge of the educational system. However, there seems to be a trend developing, as the DOE budget continues to farm these responsibilities back out to other departments. So far, it has pushed workers' compensation claims and labor management duties to the AG's Office, giving DHS responsibility for conducting background checks on employees, and now Budget and Finance is handling all of DOE's collective bargaining responsibilities, as well as securing and administering DOE's federal funds.

"Just earlier this week, we passed House Bill 541, which allows the DOE to have two more years to develop its own civil service system, which was supposed to have been done by June of this year. This year, the DOE is transferring out all of its \$650 million in fixed costs to Budget and Finance in the year 2010, and another \$678 million for 2011, and this is currently in the budget. Of course, these transfers could indicate that the DOE cannot handle their responsibilities, but more likely, they are simply trying to make their budget not seem as large as it actually is.

"In terms of the Charter Schools, earlier this week, this Legislature passed out Senate Bill 496, which for the first time allows Charter Schools to submit a CIP request and a per pupil funding request that is equal to the DOE. I do want to commend the Education Chairs for doing this, because this really was a wonderful step for public Charter Schools. However, in this budget, the actual amount appropriated for Charter Schools is 22% ..."

The Chair addressed Representative Pine, stating:

"Representative Pine, your time has expired. Is there anyone from the Minority Caucus willing to yield their time?"

Representative Ching rose to yield her time, stating:

"Mr. Speaker, may I yield two minutes of my time?"

The Chair responded, stating:

"Representative Ching, it has to be the full five minutes that you have. The two minutes is for rebuttals. So, would you yield your five minutes at this point in time?"

Representative Pine then stated:

"That's okay, Mr. Speaker."

Representative Ching rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. Mr. Speaker, I stand in opposition of this budget and this measure. Thank you, Mr. Speaker. First of all, I wanted to say that I know how hard, and I appreciate how hard the Finance Committee works, and how knowledgeable they are, and how much they have looked to every possible alternative. I think they have looked at those things. I think that they chose to do some things that you have to do sometimes.

"But, there's some objections I make to the arguments that have been made. I just wanted to address also that I cannot find two more different places than New York and Hawaii. New York is one of the oldest cities. It was in the first 13 Colonies. We're the youngest. We celebrate our 50th anniversary only this year of being a state. New York has many, many philanthropists, and so therefore they have a very strong arts community, which is financed very well, and a strong symphony, Broadway, etc. They're taking a little bit of a cut, but they're still a far cry. Lots can be done in a century and more.

"Wall Street. We have no Wall Street revenue from a stock market that serves the entire nation. Population differences. They're extremely dense, even more dense than we are by a long shot. They're the closest to all of the major cities and we are the farthest. To me, it's like kind of comparing a banana and a lychee. So, to me, when we raise the taxes on our tourists, it's just a whole different kind of tourist. And I just can't support that sort of thing.

"There's a couple other things that I'm going to bring out. I know my colleagues have brought out a number of other issues, so I'm going to try to be not so long, and be a little more brief. But, one thing that comes out is that the Tourism Liaison has been transferred from DBEDT to the Hawaii Tourism Authority. Now, that would look very logical for most people. I mean, obviously the Tourism Liaison. But apparently, the research that's been done and the specialty of the agency, its excellent research and having it farther away. You maintain objectivity, versus having it within HTA, which is of course to promote tourism. But you want to keep that objectivity.

"Same thing with the film industry. The film industry also has been moved. The film industry, granted, it does affect and is related to films that are tourism, advertising our State, etc. However, it's still tangential and there's other focuses of this industry. And so changing it, you change their focus, and they don't appear to have direct benefits.

"Taking away the liaison, changing the film industry, it renders DBEDT and HTA somewhat ineffective. And so, those are some of my objections, and including others. It stops them from doing the best job they can, and I think that's what we're all here about, is trying to make sure that everybody can do the best job they can. Children can do their best job and perform well. Businesses can thrive.

"And so I'll end, when I think of New York, and my husband's from New York, he's a New Yorker, a 'New Yahker,' and we get a chance once in a while to go there. And you will see small businesses lined up there. I don't even need to tell you. Any kind of pizza you want, that sort of thing. They've got a stronger small business community, which has helped in turn by the financial hub being there.

"I just don't think it's a wise idea to be raising our taxes when things are rough. I think that it sends the wrong message. We need to be open for business. Thank you."

Representative Rhoads rose to disclose a potential conflict of interest, stating:

"I have a request for a ruling on a potential conflict. I'm a member of the Board of Directors of the Pacific Gateway Center, which is a service provider for the State," and the Chair ruled, "no conflict."

Representative Rhoads continued in support of the measure, stating:

"I'm in support of the bill, and could I make just a couple of comments? Thank you. Voting to raise taxes is the last vote that any of us want to make. Hopefully we're wrong, we don't need these tax increases and next year we can vote to get rid of them, because that's the easiest vote we can take. But, as Chair of Labor, when I look at the numbers, or the plan that the Governor has brought down, which says she's going to save somewhere between, and the number has been changing, as most of our numbers have been changing this year. But she says somewhere between \$278 million and \$303 million in savings from public employees.

"I look at the bargaining units, and there are only three bargaining units that aren't covered by arbitration. One, five, and seven are not covered by arbitration ..."

Representative Finnegan rose, stating:

"Mr. Speaker, if I'm not mistaken, didn't this speaker yield his time?"

Representative Rhoads responded, stating:

"I yielded my time. This will be my second time."

Representative Finnegan: "Is this his second time?"

Representative Rhoads: "This would be my second time."

Speaker Say: "Please proceed, Representative Rhoads."

Representative Finnegan: "Does that mean that the Minority Caucus will be allowed that as well?"

Speaker Say: "Yes. Just three minutes for a rebuttal. Please proceed, Representative Rhoads."

Representative Rhoads continued, stating:

"Thank you. All the other bargaining units are, if an impasse comes about because the parties can't agree, then it goes to binding arbitration. My staff spent the last couple days trying to look at what happens in binding arbitration, and I was curious whether there was ever a situation, not just in Hawaii, but nationwide, where an arbitrator said to a public employees union or the public employees, that we're going to actually cut your pay. While it's very difficult to do an exhaustive search in 50 states, we were unable to find a single situation where the arbitration panel said, 'We're going to actually cut your pay.'

"If the Governor had produced numbers that made some sense, and there was some way to avoid a tax increase, I have no qualms about cooperating with the Governor. I have in the past with Kukui Gardens, which was a very major project in my district, and for affordable housing for the State. But, the numbers that the Governor has put forward just don't add up. And, I personally feel forced, basically, as a responsible legislator, to vote to raise taxes, because nothing else is on the table. And if there were anything else on the table, I would love to pick from something other than a tax increase vote. Thank you, very much."

Representative Mizuno rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I rise in support of House Bill 200. Thank you. Mr. Speaker, on a personal note, last Friday night, as this relates to the bill, of course, your Chair of Human Services, as well as the Chair of the Senate Human Services Committee worked with you, and did our best to lobby you, as well as the Finance Chair for more money. I just wanted to thank you for your candor, your honesty, transparency. It was heart wrenching for myself, as well as the Chair of Human Services, but we understand that this measure is fiscally prudent. We understand the bigger picture, and as painful as it was for us that Friday night, we respect your decision, as well as the decision for both my Committee Chairs.

"I just wanted to share with you, on behalf of Human Services, I think the budget is very fair. It provides \$714 million in general funds for human services in fiscal year 2010, and another \$780 million in fiscal year 2011. So essential are these services, especially during this difficult time of recession that we're in.

"In addition, we also receive federal funding. There was \$154.6 million in TANF funds for fiscal year 2010. This includes the American Recovery and Reinvest Act monies, as well as the Deficit Reduction Act federal monies. And for fiscal year 2011, we have federal funding in the amount of \$128.9 million for human services. So, in the bigger picture, Human Services did get a lot of money in this bill, and we appreciate that. What does this mean, though? What does the funding equate to? Many worthy programs to help the most needy in this most difficult time, Mr. Speaker.

"You heard the good Representative from Hawaii Kai mention that Hawaii's just lost 32,000 jobs. Well, monies are targeted at employment training. The money will also provide assistance to the unemployed, to provide for services for preschool and childcare services, for legal services to our low income families, as well as immigrants, assist with Keiki Care, youth gang prevention services, immigrant health initiatives, adult dental services, services for our developmentally disabled, and provide safe houses for youth services in housing and outreach to the uninsured.

"We provided a disproportionate share in increase in Medicaid funding, provided healthcare for our aged, blind, and disabled, as well as mental health services, domestic violence shelters, and domestic violence services by helping those in need to secure temporary restraining orders and protective orders. It also provides for adult personal care services. And when I compare this budget in House Bill 200 with the Executive budget, I appreciate what our Finance Chair did, as well as the Ways and Means Chair, because they restored some of the cuts. And again, this is not based on party partisanship, it's just what was in the Executive budget and what's in this budget. And I appreciate what both the Finance Chair and Ways and Means Chair did. They restored \$2.6 million in fiscal year 2010, and another \$3.1 million in fiscal year 2011 for adult dental services that was actually taken out in the Executive budget.

"They also restored \$275,000 for fiscal year 2010 for immigrant health services. They added \$150,000 for adult personal care services for Maui County. They also restored two positions and \$52,000 for the Keiki Care Program. They also added funds for Medicaid to address the shortfalls due to enrollment projections. We're going to have higher projections because of the recession.

"I wanted to share with you a letter from the Director of Human Services, just to show that we're working in a spirit of bipartisan support ..."

Representative Brower rose to yield his time, and the Chair "so ordered."

Representative Mizuno continued, stating:

"Thank you, Representative Brower. I have a letter here from Director Koller dated May 5th. This is to the Chair of Finance, as well as his Committee members, and it's a good start. It looks like the Administration and the Legislature are actually working together. I'll quote what Director Koller says. She said:

'I want to personally thank you and your House Finance Committee members for allocating an additional \$500,000 in program funding for our latest Ke Kama Pono safe house, which will open this Friday, May 8th. As you know, this latest safe house fills a critical gap in the continuum of State services that help troubled non-violent youth turn their lives around and become productive citizens. It is also less expensive to place them, to place teens in a Ke Kama Pono group house than it is an institutional setting, such as the Hawaii Youth Correctional Facility. And more importantly, the outcomes are better.'

"The director states, 'Thank you again for your support of Ke Kama Pono. Sincerely, Lillian B. Koller, Director of Human Services.'

"It's a good sign to show that the administrators are working with our Finance Chair in crafting good legislation and funding good programs. So, I appreciate the dialog that has been involved, by both the Director of Human Services and your Chair of Finance.

"And finally, Mr. Speaker, I just wanted to share with you a personal note from both Senator Chun Oakland, and both of our Committees on Human Services, that it was our mission, and actually a pleasure to work this year at the Legislature to provide human services for the people of Hawaii. We believe that this Legislature has worked towards positive outcomes for children and youth in low income households by ensuring that more children are enrolled in no cost or low cost human healthcare services.

"We also worked to better link the needs of the State's senior citizens and persons with disabilities, both appropriate services supporting our care homes, community care foster homes, homes for the disabled, and ensuring affordable housing and healthcare for our elderly, protecting our most vulnerable in our communities by seeking better policy to reduce domestic violence, ensuring better education in child development programs for our youth, and addressing a growing number of unemployed with employment training programs. We're at work to support programs that expand our workforce and promptly address the State's fiscal recession.

"This difficult, global economy presents a formidable challenge to your 25th Legislature. However, we believe that we all worked together, and we're committed in meeting those challenges by making the most vital decisions for the people of Hawaii. The Chairs of the House and Senate Committee on Human Services believe that House Bill 200 provides for such services, and we commend you, Mr. Speaker, the Senate President, the Ways and Means and Finance Chairs, and their Committee members and staff for a job well done.

"For all of the foregoing reasons, Mr. Speaker, I support this budget bill. Thank you, very much."

Representative Finnegan rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. I rise in opposition to this budget. Thank you, Mr. Speaker. At this time, before I go into some rebuttal and my speech on the budget, I'd like to recognize a group of people who have spent countless hours of working on the budget, as well as covering all the rest of the Committees. We have a small, but very powerful staff, and I'd like to mention them while they're here, standing in the gallery. If you could please stand, and I'm going to name them all first. Kelsey Wells, James Delavan, Claire Draper, Beth Fukumoto, and Nadine Nishioka, headed by our staff lawyer and Director, Boyd Akase, who is behind me. And they've really done a wonderful job of covering the budget, as well as all the other Committees at the same time. We also have two other people who cannot be here today. One's staffing the office, and that's Candace Kelsey, as well as Bret Huelsman, who went back to the Mainland to walk in his graduation ceremony.

"Mr. Speaker, when I take a look at the budget, and I take a look at everything that everyone said, I look at it and I say, 'Okay, well what's the bottom line?' There are two very different philosophies moving forward on how you address this economic recovery. Let's put it positively. We want to go in the direction of economic recovery. Clearly, the final macro story of this budget is that it is built on tax increases. All revenue enhancement bills with projections provided by the B&F, the Majority, and Department of Tax, equals a little more than \$303 million in fiscal year 2010, and \$355 million in fiscal year 2011. That is over \$650 million, over half a billion of dollars in tax increases to the people of Hawaii over the next two years.

"Mr. Speaker, another part of this philosophy is, who can spend money more efficiently? Can we, as government do it? Or can the private sector do it? I feel that the private sector can do it. There's many reasons why I think the private sector can do it more efficiently, but one of the reasons is, you collect the tax right when you pay for something. It gets put into our coffers and it gets held on until we decide to make a decision. And then it gets released. There's procurement, and all of these other kinds of things before it actually gets spent again. So, it's sitting someplace else, before it starts to turn in the economy, versus if they keep it in their pocket, those taxes, collectively will be able to be spent at the store when they need to buy something, or on a college tuition, or on clothing or whatever. A show in Waikiki.

"Let me go ahead and finish the quote from my article that I did in the *Honolulu Advertiser* the other Sunday. After I did say about how the TAT increase could be like another room in Waikiki, I also stated that that collective total that we're looking to collect from the increase in TAT is \$90 million dollars that could go back into a job that has been cut in the tourism industry, it could go back into restaurants, it could go back into shows. Mr. Speaker, that's why I'm against this bill.

"Another thing I did want to speak about is what I call 'sniper politics' in this bill, Mr. Speaker. Because, as I take a look at this bill, and I'm usually a very positive person. But I look at things, and I go, 'Whoa.' People have described me as a 'glass-half-full' kind of person. And for the most part, I believe that that's who I am. I'm an optimist. But when I collectively look at my colleagues on the Minority side, talking about the AG's Office, specifically, these positions that are going to be taken out. The Tourism Liaison is transferred to the Governor's Office, however, the Governor's Office doesn't receive the salary for her. Our House budget, about Lillian Koller, accidentally not funding her, as a Director of one of our major, major departments in the State of Hawaii that handles blind, disabled, the poor, and we just decided that we're going to forget about her salary.

"Mr. Speaker, in this budget it talks about taking the 'T' out of DBEDT. D-B-E-D-T. The Tourism in this budget. It talks about HHSC and how we decided that we were going to take out the C ..."

Representative Saiki rose to yield his time, and the Chair "so ordered."

Representative Finnegan continued, stating:

"Thank you very much, Representative. And then, in regards to the other areas, HHSC, like I said, Mr. Speaker. We take a look at HHSC, and as much as we may not like the management of HHSC, and I'm not going to say 'We,' but collectively as a Legislature. We go and we reduce salaries and get rid of him through the budget.

"Mr. Speaker, another area where we do a decrease in the Governor's budget is, she recommended \$500,000 in two years. We did reductions of \$700,000 and \$1.6 million in the two years. And, this I thought was really interesting, Mr. Speaker. The LG's office is tiny, with only 13 employees, and \$1.2 million in operating funds in fiscal year '09. But, his temporary positions, of the 13, there are possibly five to six people that get laid off in that section of our government, in the LG's office. 39% of his staff, almost 40% of his staff gets cut in this budget.

"Mr. Speaker, I call this, 'sniper politics' because we're up with probably for this State in 2010, a big Governor's race. And it just so happens that the LG is running for Governor. Mr. Speaker, I think that when I read this and I try to see it with the 'glass half full,' these red marks that I see in my paper just make me believe that this isn't the direction that we're going, that we are specifically going into some of these areas and saying, 'Take that. And take that. And take that.'

"Overall, Mr. Speaker, like I said, how do we address this budget in the future? I would hope that it would be for economic recovery. Keeping money in the economy. Letting it germinate. Let it create more jobs. Let the private industry be able to get innovative. Take these people, that some say is like a cup of coffee a day in some tax increases, and let them use that for the things that they want to get, that they want to be able to, whether it be collectively to invest more in their company and create more jobs. Or, whether it is to save for college, or whatever they would like to do with that money, Mr. Speaker. I believe that that's the area we should be going."

Representative Marumoto rose to speak in support of the measure with reservations, stating:

"Mr. Speaker, I rise in favor of the bill, and I'd like to express my reservations. I will vote for the budget, because I simply cannot envision life in this State without a budget. But what this budget does to the Department of Business, Economic Development and Tourism is similar to a bomb hitting a department. I don't know what's left. I think it's blown to smithereens. It's extremely disruptive and destructive, especially in the area of tourism.

"Now, the Tourism Liaison was moved to the Governor's Office, and I thank the Finance Chair, who did prevail in keeping her job, even though she was moved to the Governor's Office. And, I'm not quite sure whether her salary followed her, but she still does have a position. So we still have a public official who heads tourism in this State, because you know, tourism is our number one industry, so I'm very glad for that. Her assistant

may have been expletive deleted. I haven't been able to see whether he's still standing. But, a lot of the staff has moved to the Hawaii Tourism Authority. So, as the Minority Leader says, we have the Department of Business, Economic Development and Tourism with no tourism left. Most of the Tourism research was moved to the HTA. We had questioned this move earlier, since the research agency should remain independent, and we're wondering whether being together may taint any research that is produced.

"The television and film industry was also moved to the HTA. This may split the focus of the receiving agency, so, we question whether this is a wise move. We hope that they are happy and productive there, because we value our television and film industry. There are new industries which we must nurture, and they are definitely economic development, but that's why I contend they should remain in Business and Economic Development. But the move to the HTA means that they will now be paid for by the Hotel Tax, the TAT, and thus relieving some of the pressure from general funding expenditures.

"Other agencies that have been blown apart by the budget on DBEDT is the arts and culture, and they get sent to DAGS. NELHA, the Natural Energy Laboratory of Hawaii also goes to DAGS, and may they be productive and happy there. The Small Business Regulatory Review Board is also moved to the Department of Commerce and Consumer Affairs, and there they will get funding from the Compliance Resolution Fund that licensees pay into this Department. And although they do not collect license fees, they will be living off that Fund. The Aloha Tower gets moved to the Department of Transportation, and as the Hawaii Kai Representative mentioned, the funding is removed in the second year of the biennium, but it is not moved into DOT. We were not able to ascertain that, judging from the worksheets that were done last Friday, when the budget closed.

"So, we just see a total mess. It's like a bomb hit the Department of Business, Economic Development and Tourism. I don't know what's left. I don't know who's standing, but that's going to be a half empty building by the time we're through. I am not happy with the budget, although it's purportedly a balanced budget. Either way, I see it as very dependent on special funds, the use of special funds, tax increases, and thank heavens we got some hefty federal funds, stimulus funds from Washington D.C.

"Although we're touting that we have cut \$800 million in general funds, I think it's rather smoke and mirrors, because a lot of those same programs and personnel are now being paid for by the special funds, increase in taxes, and the new federal funds. So, we're raiding in a way, the Compliance Resolution Fund, the Tourism Special Fund, the new Barrel Tax will pay for many positions, and the Tobacco Fund, we raided that. So, I have serious reservations about this bill. But, I think I have to reluctantly vote for it. Thank you."

Representative Souki rose to speak in support of the measure with reservations, stating:

"Yes, Mr. Speaker. Members. I wish to speak in favor with some reservations. Thank you, very much. Mr. Speaker, first and foremost, I want thank the Chairman, the Vice Chair and all the members of the Finance Committee. I know they work extremely hard. It was a very difficult year, and they ended up balancing the budget, so congratulations for that. Thank you. I also want to thank the Finance Committee for providing the safety net for the good people of the State of Hawaii in providing sufficient funds for human services. I was happy to hear that bring one who came from that particular discipline. And for also providing the safety net for health services, thanks to work of the Health Committee, and working on a plan for the State hospitals. I think this is all very great. A yeoman's job was done there.

"My only concern, Mr. Speaker, and it's kind of a major concern, and I brought it up a number of times, where the Committee took an unprecedented way of handling or dismantling of an organization; DBEDT. And, I think that was very unfortunate. In a year like this, when we need all the help we can get in stimulating the economy, we go and provide this particular mischief. I know it was with good intention, but sometimes, good intentions can go astray, Mr. Speaker and Members,

especially when you put it in the budget for the changes. You put the dismantling in the budget. It then goes to the Senate. Then we're in a leveragable position against the Senate because it's like we just threw a whole bunch of goodies to the Senate and they can cherry pick as to which ones they want and which ones they don't want. Strategically, that was not the right thing to do.

"Another thing I'm concerned about, Mr. Speaker, and you've been around here for a while, and so has the Finance Chairman. But now we are possibly jeopardizing the harbor improvements. We've been looking forward to the harbor improvements all these past years. And, because there's a certain party in the other Chamber who's not happy, we have provided a compromise which is to transfer, or to provide the funding for only one year, with the implication that after one year, it would go to the DOT. What it does, it provides inaction for the Aloha Tower. By them not doing anything, not knowing what the future is going to be, nothing's going to happen. Nothing is going to happen. You won't have any harbor improvements, which we've been waiting for and is much needed in the State of Hawaii. And, this is my fear, that this will happen. Hopefully not, but how can one plan when you don't know what you're going to do the next year.

"And also, my other major consideration of course is in the funds. The funds for highways, of course, did not pass, but I will not get into that right now. It would be a major stimulus, providing approximately \$7 billion for the State of Hawaii, and that's been put aside.

"Another consideration is the method or the way the budget was done, and for the most part it was good. I would agree to the takeouts, and the increase in taxes. I have no problems with that. I have a problem with the TAT. It was mentioned that in New York and elsewhere the TAT is higher. That is true. But they don't have to travel across an ocean to get here. Our big market is from California, and they have to travel at least 2,400 miles to come here. That's all additional costs on top of the TAT. So, it's not as simple as the fact that our TAT is lower than the rest.

"With that being said, Mr. Speaker, I would hope that for the next Session, next year when we come back, we get to look at some of the things we did, and possibly we can make some repairs if possible. And I would be hopefully reminding and working with the good Chairman again. He's worked very hard, his intentions are very good. But, sometimes we need to have a little reminder, Mr. Chairman. Thank you very much, Mr. Speaker."

Representative Ito rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in support of Conference Committee Report Number 167, House Bill 200, House Draft 1, Senate Draft 1, CD 1. Thank you, Mr. Speaker. Mr. Speaker, in reviewing the State budget submitted by the Administration, I noticed that many programs essential to the operation of the Department of Land and Natural Resources had been eliminated. In these hard economic times, it is understandable that some programs need to be eliminated. However, after further review, to eliminate programs that are essential to the operations of the Department is unacceptable. If anything, non-essential programs should be eliminated, or other means of balancing the budget should have been pursued.

"Mr. Speaker, during the hearings before the Committee of Water, Land, and Ocean Resources, I have heard testimony submitted by the Department of Land and Natural Resources that they do not have the necessary funding to perform the functions specified in the various bills and resolutions. Eliminating the programs called for in the State budget submitted by the Governor would have only compounded the problem further.

"As the Subject Committee Chair, Mr. Speaker, I want to thank the Chair, the Vice Chair, members, and staff of the Finance Committee for restoring \$500,000 in fiscal years 2010 and 2011 for invasive species support. \$400,000 in fiscal years 2010 and 2011 for regional stream studies. \$51,000 for fiscal years 2010 and 2011 for one geologist position to help reform the regional streams studies. And all of these are related to the Water Code, Mr. Speaker. \$90,000 in fiscal years 2010 and 2011 for the Anuenue Fisheries Resource Center, and this is where the Moi Restocking Program is conducted. \$536,000 for fiscal years 2010 and

2011 for lifeguard services at Kaena Point. These funds are restored with the Land and Developing Special Fund. And \$44,000, again in fiscal years 2010 and 2011 for historical preservation.

"For many people, Mr. Speaker, these programs may appear to be non-essential. However, these programs are essential and necessary to the management and preservation of Hawaii resources. Mr. Speaker, I urge my colleagues to support this bill. Thank you."

Representative McKelvey rose to speak in support of the measure with reservations, stating:

"Thank you very much, Mr. Speaker. In support with reservations, and may I have the words of the speaker from Wailuku entered into the Journal as if they were my own? And just some brief comments.

"Mr. Speaker, his line that he spoke of, the 'good intentions gone awry' I believe applies to me. I'm willing to admit that I was a big proponent of some of the changes that were in that budget, but those were good intentions that went awry. After speaking with him and getting his counsel, I realized that my good intentions had run awry, and that the harm that was going to be caused would be bigger than the good that we sought.

"I was hoping that through the process, that these changes would be reversed, and that we could hold the line through this time, and that we could go ahead and weather the economic storm and look at this through the interim, but alas, that's not to be.

"I also rise with reservations, because I really feel that some of the funding mechanisms, these revenues are going to be, in the end, a net loss to the State of Hawaii. It's ironic. You pick up today's paper and you see more Swine Flu cases here in Hawaii. And, then on top of that, insult to injury, we have again, raising the Transient Accommodation Tax. Look at the fact that Jamaica has seen a 23% increase in West Coast visitors this year over last year, and you really need to look at the fact that we need to try to make ourselves as cost-friendly as possible. I've said it before in previous bills that people are making their decisions now, not based upon the locale, but more upon what it will mean to my pocketbook.

"And finally, I guess my only fear is that I don't know if some of the projections from these revenue bills will actually pan out. Streamline Sales Tax, \$5 million? We don't even have a bill before Congress that's moving right now. The nexus thing. We don't even know if it's going to survive a court challenge. And, we don't even know if the out-year projections for the TAT increase, should the Body continue to move forward and adopt it, will actually pan out. Who's to say that our visitor count won't chill further and those numbers won't be reached? I'll make no bones about it, colleagues, and I'm sure that this is not popular with several of you, but I've always been a proponent of the Barrel Tax, because I feel that at the end of the day, when you look at revenue increases, you need to look at something that's spread out, that causes the most minimal impact to the whole. I believe that the money raised from looking at the Barrel Tax, for an extra dollar increase, which translates to a two cent per gallon increase, instead of the Transient Accommodation Tax, is a much more prudent way to go.

"I respect the work of the Finance Chair and the Committee. They work long hours and they had to make difficult choices. And that's why I stand in support, but I do have these reservations, and I wish to share them with you and my colleagues.

"Hopefully, as we move forward we can address these issues and work collaboratively together. And again, my hat's off to the Committee and the members and the staff for a job well done, because they did have their backs against the wall. Thank you very much, Mr. Speaker."

Representative Yamane rose to speak in support of the measure, stating:

"Mr. Speaker, I'm standing in strong support. I was going to follow the good Chairman of Tourism. I was not trying to speak on this budget proposal, because the last time I spoke on this measure, I got quite emotional on the Floor of the House because of the potential positions that were going to be cut. Close to 300 warm bodies in the Department of

Health were going to be cut out of the House proposed budget. However, Mr. Speaker, after spending a lot of time with our Finance Chair and our Finance analysts, as well as with the Senate, these positions, many of them have been restored.

"I think this is a good budget. I would like to thank our Chair, the members of Finance and WAM, and the staff for restoring \$3 million for the Healthy Start Program. Mr. Speaker, \$700,000 for restoring the Partnership in Community Living, or PICL program. I would also like to thank them for restoring \$200,000 for respite care. And Mr. Speaker, later on, in this agenda, we will be dealing with Hawaii Health Systems Corporation. They took a bold step in working with myself as the Chair, as well as the Senate Chair, Senator David Ige. Working with the issues of restoring and giving the options and resources and tools to our regional care system that provide the healthcare, especially to our Neighbor Islands.

"Mr. Speaker, as the former Chair of Tourism, I would like to respond on one comment, and I will leave the issues to the current Chair regarding the position of the Special Tourism Liaison. Mr. Speaker, two years ago, during my tenure as Chair, this position was in question every year. This position was touted as being a cabinet-level position. However, it was never confirmed by the Senate like other cabinet positions. Mr. Speaker, oddly enough, this position fell under DBEDT, yet reported to the Office of the Governor.

"So, Mr. Speaker, the changes that you see before you regarding this issue, and the position regarding the head of Tourism, if you look at the essence of why HTA was developed, I think now in its tenure, that position has appropriately been moved. Thank you, Mr. Speaker."

Representative Manahan rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I'm speaking in support. I just wanted to briefly respond to the comments of the Minority Leader, as far as putting this budget together, and it being built on tax increases. I believe that most of the budget was done, I believe it's 65% was done on cuts, and only 10% is on tax increases.

"But having said that, we have had an unprecedented \$2.2 billion budget shortfall, which we were required to balance. And, we knew last year, when we saw the collapse of Aloha Airlines and ATA, that the State would be faced with serious challenges this Session. As a member of the Finance Committee last year, I believe Chair Oshiro warned us about that. What we didn't know was how hard hit we would be with the collapse of the banking and lending systems, which has caused a global recession.

"In order to balance the budget, the Legislature had two options. One is budget cuts, cutting spending, cutting programs, positions, jobs, salaries, benefits, etc. The second was revenue enhancements, raising taxes and fees imposed by the government.

"While neither one is popular, they are necessary at this point. And in order to minimize either of these two options, we had to consider both. It's easy for our friends across the aisle to say that we shouldn't raise taxes, and that it's anti-business, but what do they propose we do to balance our budget? If they say 'Let's let business run its course,' I would argue that we are in this situation precisely because our friends across the aisle in Washington D.C., who were in control for the past eight years, had loosely regulated the U.S. market, and let business and the market run their course. In the end, we the taxpayers on Main Street are the ones bailing out the billionaires on Wall Street. And, I'll reserve my comments on the other issues for later on. Thank you, very much."

Representative Thielen rose to speak in support of the measure with reservations, stating:

"Thank you, Mr. Speaker. I just wanted to note my reservations on the budget, because it is based upon tax increases. I would like to adopt the words of the speaker from Wailuku, as to his concerns about the DBEDT gutting, and the lack of movement or moving ahead with our transportation infrastructure. As to the rest of his comments, including his being okay with the tax increase, I do not, do not adopt those parts of his comments. Thank you."

Representative Ward rose to respond, stating:

"Mr. Speaker, just two brief points in rebuttal. The Representative from Chinatown mentioned that we may not be individuals. We may be forced into doing things, because basically, the Governor made me do it. Mr. Speaker, I hope we don't have to blame everything on the Governor; that the Governor made me raise taxes. The Governor made me cut positions. Because that's essentially what I hear coming out of a position that says that we wanted to do it, but she made us do otherwise.

"Mr. Speaker, I think we have to be more honest than that. Particularly when we go out into the community and talk about 'we,' except for those of us voting against these taxes. The Governor did not raise the taxes. We in the House did. Again, I remind the Body that the Constitution says the House of Representatives is responsible for the budget, for the treasury, for the purse strings of the State of Hawaii. So, when we go out to the public and say, 'Well, the Governor did this,' let us not twist the Constitution and turn it upside down.

"Secondly, Mr. Speaker, we've got to get away from this budget myopia. The Finance Committee is a line in a process. You look at the trees, and you never see the forest until about five days before we're here on the Floor. We never integrate what we're doing, in terms of appropriation bills and the Executive budget, the House budget, and the Senate budget. There's never an accumulation. It's like doing your family budget and never really adding up how much money you got, versus what your expenditures are. We need cash flow statements. We need to look at the broad picture, where there's a forest and there are trees. Not suddenly at the end, and then we say, 'Well, it's the Governor who made the mistake. It was this. It was that. It was otherwise.' We've got to get the cat and mouse out and get more businesslike and more professional in the way that we do this. Thank you."

Representative Choy rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in strong support of the budget. During my career, Mr. Speaker, I've done a lot of business plans and a lot of budgets. And that's exactly what the Finance Chair did. We have a budget. It's our mandate to do a budget. It's our mandate to do a balanced budget. We've done that, and I want to thank him for all his efforts.

"Mr. Speaker, before I came here I was part of the 'peanut gallery,' and I could criticized all day long. And sometimes, now that you put me in the trenches, I wish I was back in the 'peanut gallery,' just criticizing. But, we can stand here, and we can criticize the budget all we want, but it is a plan. It's a good financial plan.

"I'd like to just bring up one point. A lot of my constituents are very, very worried that the people who are not paying taxes are getting away. And, I would just like to make mention that in our budget, we did increase the DOTAX enforcement personnel by 13 people; an increase of about \$600,000. And, I'd like to ensure my colleagues and my constituents that that effort is something I'm going to monitor to make sure that all of us are paying the fair amount of taxes. Again, I'd like to just congratulate the Chair of Finance for doing a good job. Thank you."

Representative Tokioka rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In strong support. I'd first like to begin by thanking the Chair of Finance, the Vice Chair, the members, and all of the people who came to the hearings to testify and participate in creating this budget. For me, it's kind of disappointing when I hear the Representative from Hawaii Kai, Queens Gate talk about seeing the trees through the forest, because during these long meetings, and we had marathon meetings, the Finance Chair, the Vice Chair, and members of the Committee spent many hours talking about and working with the Representative from Hawaii Kai, Queens Gate.

"In a discussion yesterday, Mr. Speaker, the freshman Representative from Waipahu said it best when he said, 'For anyone to think that we took the easy approach by looking at one solution to balancing the budget, it's unbelievable and irresponsible. We took each and every department, each

and every position, each and every program from top to bottom in careful deliberation, prior to coming up with this budget.'

"Mr. Speaker, we took the responsible approach. Balancing the biennium budget, including the third year out. We spent countless hours listening to, and reacting to department heads' testimonies. We had marathon meetings in the Finance Committee. For all we know, record-breaking hearings. One of these hearings, as we all know went to 5:00 a.m. in the morning.

"We could've used other accounting practices, as the Representative from Hawaii Kai, Queens Gate alluded to. We could've played the shell game, but the Finance Committee didn't, Mr. Speaker. We took a visionary approach. Why? Because hopefully, we will all be here in the Legislature in 2010, working for our constituents in our district, and who's to say what the economic forecast will be then.

"Mr. Speaker, Members, and audience, these were not easy decisions that we had to make. But, I feel that at the end of the day, we can all be proud of what happened in the Finance Committee, and what happened in every Committee in this House of Representatives. Once again, to the Chair of Finance, the Vice Chair, and members, Mr. Speaker, mahalo for the opportunity. Mahalo for the opportunity in helping us learn and understand what we have to deal with in doing our responsibilities for the people of Hawaii. Mahalo."

At this time, Representative Luke rose to call for the previous question, stating:

"Thank you, Mr. Speaker. I am in support, and I call for the question."

The Chair then stated:

"Thank you, very much. At this point, Members of the House, we've had a lot of debate on this particular issue. It's been an hour and 40 minutes on this particular House Bill 200, House Draft 1, Senate Draft 1, Conference Draft 1. For those of you who would like to submit written comments for or against, or with reservations, you are allowed to at this point in time."

Representative Ward rose, stating:

"Mr. Speaker, a point of personal privilege. I believe I was singled out by the Representative of Kauai for having criticized the Chair of the Finance Committee. My point was to criticize the process. It's not transparent. It needs to be open. That's my point. Thank you."

The Chair responded, stating:

"Thank you very much for correcting that statement. The process, I believe is what Representative Tokioka was talking about, and it is the process that was very open for those Committee members who participated."

At 11:52 o'clock a.m. Representative Finnegan requested a recess and the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 11:54 o'clock a.m.

Representative Finnegan rose to respond, stating:

"Mr. Speaker, I would like to submit written comments in opposition to the budget, as well just being able to insert additional comments having to do with the disagreement of being able to stop the debate right now. Those comments will include the Recreational Renaissance Program, and some other comments in regards to tax increases. Thank you." [note: written remarks were not submitted.]

Representative Belatti rose in support of the measure with reservations and asked that the remarks of Representatives Souki and McKelvey be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative Chong rose in support of the measure, stating:

"Mr. Speaker, I am in strong support."

Representative Ching rose to respond, stating:

"Thank you. Still in opposition and would like to submit additional written comments. I ask that the words of the Minority Leader be incorporated as my own, as well as the Representative from Wailuku, minus the comment about taxes and the comment about intention. Thank you," and the Chair "so ordered." (By reference only.)

Representative Ching's written remarks are as follows:

"Thank you, Mr. Speaker. I rise in opposition to H.B. 200 - Relating to the State Budget. The budget, as written does not reflect prudence; giving the appearance of partisan politics at a time when we can least afford it. The idea of balancing the budget with divisive partisan tactics, expressed by some of the statements contained in the Committee Report, does not address the people's needs and concerns.

"First, the budget is balanced too heavily on the increase of taxes and user fees, which I feel will only further damage the economy. Secondly, it appears this budget will bulldoze over certain departments. We can not merely take a chainsaw to certain initiatives without research and regard to the consequences and repercussions of which have not been examined adequately.

"According to this budget, there is no longer a need for the Director of Human Services. The Department of Human Services, especially at this time is vital to the well being of our citizens. It is irresponsible to cut Director Lillian Koller's job. I am curious as to how a department can be run without a director? Director Koller is one of the most gifted people in or government, having been named "Governing Official of the Year" by Governing magazine. She is the first public official from Hawaii to win the award. Director Koller was also the first Director to put to use the millions of dollars in TANF that had previously set idle each year, and allocated that money for community-based programs that prevent and reduce poverty.

"I am also concerned with the impact of transferring and dividing DBEDT at a time when we must look beyond our shores to encourage economic growth. There has been no testimony or chance given to DBEDT to discuss the impact of moving their departments. The two things we must protect and nurture in a bad economy are the safety-net that DBEDT provides and expertise to stimulate business that DBEDT provides. By passing this budget, and the actions it proposes we would cut our support networks and cut off opportunity.

"The people of Hawaii are counting on this Body to make sagacious decisions. Let's unite and put aside our differences for the people of Hawaii. Now is the time to come together for the greater good of Hawaii. Thank you."

Representative Pine rose to respond, stating:

"I'd like to put additional comments into the Journal with reservations, and also a document by over 200 economists who talk about why it's bad to increase taxes."

Representative Pine's submitted the following document:

""There is no disagreement that we need action by our government, a recovery plan that will help to jumpstart the economy."

— PRESIDENT-ELECT BARACK OBAMA, JANUARY 9, 2009

With all due respect
Mr. President, that is not true.

Notwithstanding reports that all economists are now Keynesians and that we all support a big increase in the burden of government, we the undersigned do not believe that more government spending is a way to improve economic performance. More government spending by Hoover and Roosevelt did not pull the United States economy out of the Great Depression in the 1930s. More government spending did not solve Japan's "lost decade" in the 1990s. As such, it is a triumph of hope over experience to believe that more government spending will help the U.S. today. To improve the economy, policymakers should focus on reforms that remove impediments to work, saving, investment and production. Lower tax rates and a reduction in the burden of government are the best ways of using fiscal policy to boost growth.

BURTON ABRAMS, *Univ. of Delaware*
DOUGLAS ADIE, *Ohio University*
LEE ADKINS, *Oklahoma State University*
WILLIAM ALBRECHT, *Univ. of Iowa*
RYAN AMACHER, *Univ. of Texas at Arlington*
J.J.ARIAS, *Georgia College & State University*
HOWARD BAETJER, JR., *Towson University*
CHARLES BAIRD, *California State University, East Bay*
STACIE BECK, *Univ. of Delaware*
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V.V. CHARI, *Univ. of Minnesota*
BARRY CHISWICK, *Univ. of Illinois at Chicago*
LAWRENCE CIMA, *John Carroll University*
J.R. CLARK, *Univ. of Tennessee at Chattanooga*
GIAN LUCA CLEMENTI, *New York University*
R.MORRIS COATS, *Nicholls State University*
JOHN COCHRAN, *Metropolitan State College at Denver*
JOHN COCHRANE, *Univ. of Chicago*
JOHN COGAN, *Hoover Institution, Stanford University*
LLOYD COHEN, *George Mason University*
JOHN COLEMAN, *Duke University*
BOYD COLLIER, *Tarleton State University*
ROBERT COLLINGE, *Univ. of Texas at San Antonio*
PETER COLWELL, *Univ. of Illinois at Urbana-Champaign*
MICHAEL CONNOLLY, *Univ. of Miami*
LEE COPPOCK, *Univ. of Virginia*
MARIO CRUCINI, *Vanderbilt University*
CHRISTOPHER CULP, *Univ. of Chicago*
KIRBY CUNDIFF, *Northeastern State University*
ANTONY DAVIES, *Duquesne University*

JOHN DAWSON, *Appalachian State University*
 A. EDWARD DAY, *Univ. of Texas at Dallas*
 CLARENCE DEITSCH, *Ball State University*
 ALLAN DESERPA, *Arizona State University*
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 ARTHUR DIAMOND, JR., *Univ. of Nebraska at Omaha*
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 JAMES DORN, *Towson University*
 CHRISTOPHER DOUGLAS, *Univ. of Michigan, Flint*
 FLOYD DUNCAN, *Virginia Military Institute*
 FRANCIS EGAN, *Trinity College*
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 KENNETH ELZINGA, *Univ. of Virginia*
 PAUL EVANS, *Ohio State University*
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 DANIEL FEENBERG, *National Bureau of Economic Research*
 HARTMUT FISCHER, *Univ. of San Francisco*
 ERIC FISHER, *California State Polytechnic University*
 FRED FOLDVARY, *Santa Clara University*
 MURRAY FRANK, *Univ. of Minnesota*
 PETER FRANK, *Wingate University*
 TIMOTHY FUERST, *Bowling Green State University*
 B. DELWORTH GARDNER, *Brigham Young University*
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 WILLIAM GERDES, *Clarke College*
 JOSEPH GIACALONE, *St. John's University*
 MICHAEL GIBBS, *Univ. of Chicago*
 OTIS GILLEY, *Louisiana Tech University*
 STEPHAN GOHMANN, *Univ. of Louisville*
 RODOLFO GONZALEZ, *San Jose State University*
 RICHARD GORDON, *Penn State University*
 PETER GORDON, *Univ. of Southern California*
 ERNIE GOSS, *Creighton University*
 PAUL GREGORY, *Univ. of Houston*
 EARL GRINOLS, *Baylor University*
 DANIEL GROPPER, *Auburn University*
 R.W. HAFER, *Southern Illinois University, Edwardsville*
 ARTHUR HALL, *Univ. of Kansas*
 STEVE HANKE, *Johns Hopkins University*
 STEPHEN HAPPEL, *Arizona State University*
 RICHARD HART, *Miami University*
 THOMAS HAZLETT, *George Mason University*
 FRANK HEFNER, *College of Charleston*
 SCOTT HEIN, *Texas Tech University*
 RONALD HEINER, *George Mason University*
 DAVID HENDERSON, *Hoover Institution, Stanford University*
 ROBERT HERREN, *North Dakota State University*
 GAILEN HITE, *Columbia University*
 STEVEN HORWITZ, *St. Lawrence University*
 DANIEL HOUSER, *George Mason University*
 JOHN HOWE, *Univ. of Missouri, Columbia*
 JEFFREY HUMMEL, *San Jose State University*
 BRUCE HUTCHINSON, *Univ. of Tennessee at Chattanooga*
 BRIAN JACOBSEN, *Wisconsin Lutheran College*
 SHERRY JARRELL, *Wake Forest University*
 JASON JOHNSTON, *Univ. of Pennsylvania*
 BOYAN JOVANOVIC, *New York University*
 JONATHAN KARPOFF, *Univ. of Washington*
 BARRY KEATING, *Univ. of Notre Dame*
 NAVEEN KHANNA, *Michigan State University*
 NICHOLAS KIEFER, *Cornell University*
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 PAUL KOCH, *Univ. of Kansas*
 NARAYANA KOCHERLAKOTA, *Univ. of Minnesota*
 MAREK KOLAR, *Delta College*
 ROGER KOPPL, *Fairleigh Dickinson University*
 KISHORE KULKARNI, *Metropolitan State College of Denver*
 DEEPAK LAL, *UCLA*
 GEORGE LANGELETT, *South Dakota State University*
 JAMES LARRIVIERE, *Spring Hill College*
 ROBERT LAWSON, *Auburn University*
 JOHN LEVENDIS, *Loyola University New Orleans*
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 DEAN LILLARD, *Cornell University*
 ZHENG LIU, *Emory University*
 ALAN LOCKARD, *Binghamton University*
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 JOHN R. LOTT, JR., *Univ. of Maryland*
 JOHN LUNN, *Hope College*
 GLENN MACDONALD, *Washington University in St. Louis*
 HENRY MANNE, *George Mason University*
 MICHAEL MARLOW, *California Polytechnic State University*
 DERYL MARTIN, *Tennessee Tech University*
 DALE MATCHCHECK, *Northwood University*
 JOHN MATSUSAKA, *Univ. of Southern California*
 THOMAS MAYOR, *Univ. of Houston*
 DEIRDRE MCCLOSKEY, *University of Illinois at Chicago*
 JOHN MCDERMOTT, *Univ. of South Carolina*
 JOSEPH MCGARRITY, *Univ. of Central Arkansas*
 ROGER MEINERS, *Univ. of Texas at Arlington*
 ALLAN MELTZER, *Carnegie Mellon University*
 JOHN MERRIFIELD, *Univ. of Texas at San Antonio*
 JAMES MILLER III, *George Mason University*
 JEFFREY MIRON, *Harvard University*
 THOMAS MOELLER, *Texas Christian University*
 JOHN MOORHOUSE, *Wake Forest University*
 ANDREA MORO, *Vanderbilt University*
 ANDREW MORRIS, *Univ. of Illinois at Urbana-Champaign*
 MICHAEL MUNGER, *Duke University*
 KEVIN MURPHY, *Univ. of Southern California*
 DAVID MUSTARD, *Univ. of Georgia*
 RICHARD MUTH, *Emory University*
 CHARLES NELSON, *Univ. of Washington*
 WILLIAM NISKANEN, *Cato Institute*
 SETH NORTON, *Wheaton College*
 LEE OHANIAN, *UCLA*
 LYDIA ORTEGA, *San Jose State University*
 EVAN OSBORNE, *Wright State University*
 RANDALL PARKER, *East Carolina University*
 ALLEN PARKMAN, *Univ. of New Mexico*
 DONALD PARSONS, *George Washington University*
 SAM PELTZMAN, *Univ. of Chicago*
 TIMOTHY PERRI, *Appalachian State University*
 MARK PERRY, *Univ. of Michigan, Flint*
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 TOMASZ PISKORSKI, *Columbia University*
 BRENNAN PLATT, *Brigham Young University*
 JOSEPH POMYKALA, *Towson University*
 WILLIAM POOLE, *Univ. of Delaware*
 BARRY POULSON, *Univ. of Colorado at Boulder*
 BENJAMIN POWELL, *Suffolk University*
 EDWARD PRESCOTT, *Nobel laureate*
 GARY QUINLIVAN, *Saint Vincent College*
 REZA RAMAZANI, *Saint Michael's College*
 ADRIANO RAMPINI, *Duke University*
 ERIC RASMUSEN, *Indiana University*
 MARIO RIZZO, *New York University*
 NANCY ROBERTS, *Arizona State University*
 RICHARD ROLL, *UCLA*
 ROBERT ROSSANA, *Wayne State University*
 JAMES ROUMASSET, *Univ. of Hawaii at Manoa*
 JOHN ROWE, *Univ. of South Florida*

CHARLES ROWLEY, *George Mason University*
 JUAN RUBIO-RAMIREZ, *Duke University*
 ROY RUFFIN, *Univ. of Houston*
 KEVIN SALYER, *Univ. of California, Davis*
 THOMAS SAVING, *Texas A&M University*
 PAVEL SAVOR, *Univ. of Pennsylvania*
 RONALD SCHMIDT, *Univ. of Rochester*
 CARLOS SEIGLIE, *Rutgers University*
 ALAN SHAPIRO, *Univ. of Southern California*
 WILLIAM SHUGHART II, *Univ. of Mississippi*
 CHARLES SKIPTON, *Univ. of Tampa*
 JAMES SMITH, *Western Carolina University*
 VERNON SMITH, *Nobel laureate*
 LAWRENCE SOUTHWICK, JR., *Univ. at Buffalo*
 DEAN STANSEL, *Florida Gulf Coast University*
 HOUSTON STOKES, *Univ. of Illinois at Chicago*
 BRIAN STROW, *Western Kentucky University*
 SHIRLEY SVORNY, *California State University, Northridge*
 JOHN TATOM, *Indiana State University*
 WADE THOMAS, *State University of New York at Oneonta*
 HENRY THOMPSON, *Auburn University*
 ALEX TOKAREV, *The King's College*
 EDWARD TOWER, *Duke University*
 LEO TROY, *Rutgers University*
 WILLIAM TRUMBULL, *West Virginia University*
 DAVID TUERCK, *Suffolk University*
 CHARLOTTE TWIGHT, *Boise State University*
 KAMAL UPADHYAYA, *Univ. of New Haven*
 CHARLES UPTON, *Kent State University*
 T. NORMANVAN COTT, *Ball State University*
 RICHARDVEDDER, *Ohio University*
 RICHARDWAGNER, *George Mason University*
 DOUGLAS M.WALKER, *College of Charleston*
 DOUGLAS O.WALKER, *Regent University*
 MARCWEIDENMIER, *Claremont McKenna College*
 CHRISTOPHERWESTLEY, *Jacksonville State University*
 ROBERTWHAPLES, *Wake Forest University*
 LAWRENCEWHITE, *Univ. of Missouri at St. Louis*
 WALTERWILLIAMS, *George Mason University*
 DOUGWILLS, *Univ. of Washington Tacoma*
 DENNISWILSON, *Western Kentucky University*
 GARYWOLFRAM, *Hillsdale College*
 HUIZHONG ZHOU, *Western Michigan University*



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Representative Aquino rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Aquino's written remarks are as follows:

"This bill was very difficult to craft because of the \$2.1 billion revenue shortfall for the next few fiscal years. There were many hard decisions that needed to be made throughout Session. We moved forward in a prudent manner – carefully examining all areas of government. While many will criticize the fruits of our work, I truly believe that House Bill 200, HD1, SD1, CD1 is comprehensive and carefully put together."

Representative Yamashita rose to speak in support of the measure, stating:

"Thank you very much, Mr. Speaker. In support with written comments. And, very quickly, just to note that when your Committee on Capital Improvement Projects did the CIP, we highlighted health and safety, and what would be the match ..."

Representative Finnegan rose, stating:

"Mr. Speaker, you closed down debate."

The Chair responded, stating:

"I closed debate, but I will allow the Chair of the Committee on Capital Improvement Projects to state, for the general public, what the intent and the goals of that Committee was in developing your Capital Improvement Project budget."

Representative Finnegan: "Mr. Speaker, may I be able to do the same thing in regards to the Recreational Renaissance?"

Speaker Say: "No. At this point, no. You are out of order."

Representative Yamashita: "Thank you, Mr. Speaker. I'll just insert the rest of my comments. Thank you."

Representative Yamashita's written remarks are as follows:

"Mr. Speaker, I rise in strong support of HB200, HD1, SD1, CD1.

"Mr. Speaker, your Committee on Finance, when working on Capital Improvement Projects, prioritized the health and safety needs of the entire State concurring with or exceeding the Administrative budget in FY10 and funding most of FY11, knowing that we will be in better position to assess the FY11 priorities in the supplemental budget. Projects such as rock and flood mitigation, were funded at \$2 million in FY10 and another \$2 million in FY11 at the same level as the Governor requested.

"Projects such as fencing around Lake Wilson, were added to address the unsafe access issues that the community was concerned about.

"Mr. Speaker, the Department of Education and the University of Hawaii System are also a high priority. The total funding for DOE is at \$304.8 million over the biennium and \$203.8 million over the biennium for UH system wide in G.O. Bonds.

"Most notably, we funded \$140 million for DOE lump sum school building repair and maintenance, and \$30 million for lump sum classroom renovation. The University System is highlighted by \$134 million for renewal and deferred maintenance projects. Thank you."

Representative Evans rose in support of the measure and asked that her written remarks, and the remarks of Representative M. Oshiro be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative Evans' written remarks are as follows:

"The Minority has pointed out some areas they wish had been included in the budget. And, it was mentioned the budget looked like sniper politics. Is this not a complement to the hard work by our Finance Chairs, Finance Committee members, and Finance staff? I think so.

"As mentioned by our Finance Chair, he expects no one to be happy with the budget. This budget reflects vertical cuts in all departments; and most importantly those cuts were not random. Most importantly it includes significant reductions in position counts and thoughtful consideration of tax revenues to be collected over the next two years.

"In closing I want to thank the Chairs of each Committee who worked hard to determine priorities by subject matter and who were engaged in the decision making process. I thank everyone in our legislative Body; and all of our staff. We all collectively produced the final budget. We met our obligation to the citizens of our State to balance the budget, provide government services, and guide us toward a sustainable Hawai'i."

Representative Wooley rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Wooley's written remarks are as follows:

"This year's budget was full of tough choices. We needed to figure out how to find over \$2 billion worth of cuts, savings, or additional revenue to balance the budget. It wasn't easy and there were a lot of compromises. No one got everything they wanted, as was required by the situation. One thing I learned is when times are tough, people like to point their finger and blame others. Despite all the finger pointing – which I would have participated in just last year, I can only say good things about the Chair of Finance, the Finance staff and all the members who put in so much work to be fair, protect critical government services, make government more efficient and accountable, and help the economy and people of Hawaii despite the challenges. This budget balancing process was successful and we should all be thankful for this huge accomplishment."

Representative Berg rose in support of the measure with reservations, stating:

"Mr. Speaker, I have strong reservations to this measure."

Representative Tsuji rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Tsuji's written remarks are as follows:

"Mr. Speaker I rise in support of this Bill.

"In these dire economic times, the State budget is important to every sector of our population. Due to the hard work of the House Finance Chair and his Senate counterpart, HB 200 provides for our schools, public health systems, the social safety net and numerous programs to bolster various sectors of the economy.

"As an example, a CIP provision for a multi-purpose value-added facility on Oahu and on Maui would greatly benefit the State's agricultural producers. These facilities would play a vital role in supporting a more diversified agriculture industry in Hawaii. At present, our State's farmers are oftentimes not able to make use of—and therefore profit from— lesser grade produce. Added-value processing facilities would therefore do much to diversify the kinds of products made from such produce by ultimately providing the means to develop a newer and broader range of "Made in Hawaii" products such as guava jam/jellies and pineapple juice. We would also open the door to manufacturing products that may be more easily exported than fresh goods.

"With our economy nose-diving, and with this Body challenged with the task of generating revenue rather than spending it, I believe that appropriating funds for added-value facilities is a worthwhile investment in our future. I support HB200, CD1 and hope my colleagues will do likewise."

Representative M. Lee rose to speak in support of the measure, stating:

"In support, and I would like to submit additional written comments about whether or not you need to cross the ocean from Europe to get to New York."

Representative M. Lee's written remarks are as follows:

"I speak in favor of the measure. According to the Center on Budget and Policy Priorities, 29 states faced a total budget shortfall of at least \$48 billion in 2009.

"Now, preparing a budget for 2010-11, Hawaii joins others in the nation struggling to create a balanced budget with decreasing revenues. Our options are narrowed by constitutional limits and the persistent credit crunch.

"Make no mistake, there are cuts in this budget we agonized over and, in the end were forced to make tax increases that will cause some pain, but in the words of Peter Harkness, writing in the Potomac Chronicle, "Balancing a state budget with spending cuts alone is next to impossible."

"Criticism of our attempt to balance the budget has been raised from those who are not economists or not experts on Hawaii's economy. Some criticisms are merely based on the need to appear politically correct. However, professional economists like Paul Brewbaker have another take on this. When asked in an interview ("The Hot Seat", on April 26) in the *Honolulu Advertiser* what kind of effect increasing our State taxes will have on Hawaii's economy, Brewbaker replied, "The recession was intensified by a dramatic loss of wealth (such as houses and stocks), and a nearly unprecedented decline in consumption. Now, if people have money, they don't spend as much of it as they used to. Conversely, if you take money away from people, it doesn't reduce consumption expenditure as much as it used to. The marginal propensity to consume has decreased and marginal savings propensities have increased. Adding or subtracting income has a smaller impact on consumption than used to be true." Brewbaker says that when government spending is decreased it really does affect people, dollar for dollar because the services will not be there. He believes blending tax or fee increases with government spending decreases in order to balance the budget is not a bad policy.

"Writing in the *Sacramento Bee* on December 15, 2008, Jean Ross opined about the vital role government plays in the economy. Government pays for essential services like education and infrastructure, providing income to individuals and business statewide. When budgets are cut, people working in schools, construction and health care lose their jobs. Demand for products decreases, and it hurts the economy even more. Every dollar cut from state spending has the potential of driving the economy deeper into recession. Ross states, "Targeted tax hikes are the best way to cut the deficit."

"Our proposals for a progressive income tax increase make a lot of sense and far outweigh the argument for an increase in the regressive GET. High earners save a significant part of their income and spend more outside the State on things like travel and luxury goods. In addition, most higher-income taxpayers can export part of a State personal income tax increase to the federal government by deducting their Hawaii taxes on their federal returns. The GET would hit low income people, the elderly and small business the most.

"Regarding tourist taxes, the fear of tourists not coming because of the modest increase seems oversimplified. The TAT has not been raised in ten years and is far lower than many tourist destinations. Take New York City, for example, the most visited city in the United States. Some would say it is purely a business destination, but tell that to the people on 42nd Street, 5th Avenue and the vendors out at the Statue of Liberty or Coney Island. One night at a hotel in New York City could cost more than \$43 above the quoted room price. On a \$295 room, one would pay \$14.75 in city tax, \$24.72 in state tax, a \$2 New York occupancy tax and a mandatory \$1.50 New York City Javits Center tax. Incidentally, for \$295 you get a 4 x 4 room with thin towels, noisy neighbors and possible bedbugs. Here you get to breathe the air of one of the 10 cleanest US cities for ozone air pollution and the number 3 cleanest cities in the US for long term particle pollution.

"Writing in the *Sunday Advertiser* on April 26, the House Minority Leader said that a Hawaii tourist staying seven days in a \$175 room would have to pay \$113 tax—almost the cost of the room. Well, in New York City staying seven days in a \$295 room would cost you \$301, way more than the cost of the room!

"The stimulus package will help this budget in the schools and with Medicaid this year, but it has been said that state and local financial systems are a "fiscal time bomb." The U.S. Government Accountability Office has concluded that without major policy changes, states would be in crisis, especially in the area of Medicaid where costs are growing exponentially. Healthcare reform is at best a distant accomplishment for the administration in Washington. Locally, we have made efforts to deal with the growing elderly population by planning and studying the issues, however, unless we take some action in the near future, the deluge will overwhelm us. Donald F. Kettle, writing in Potomac Chronicle, stated "Medicaid costs seem likely to outstrip economic growth for the next 25 years!"

"That said, this budget was balanced with a combination of spending cuts, use of reserves and revenue generation. Despite all the hard work and effort, we may have to return next year to do more of the same. Let's hope the small signs of recovery we are seeing are not fleeting. We need to work together to help our State recover and with the help of both government and the private sector working together, we will succeed. What we are doing is not rocket science—it has been and is being done all around the country."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 200, HD 1, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE STATE BUDGET," passed Final Reading by a vote of 47 ayes to 2 noes, with Representatives Ching and Finnegan voting no, and with Representatives Bertram and Takai being excused.

At 11:59 o'clock a.m., the Chair noted that the following bill passed Final Reading:

H.B. No. 200, HD 1, SD 1, CD 1

LATE INTRODUCTIONS

The following late introductions were made to the Members of the House:

Representative Tokioka introduced students from McKinley High School who participated with his office in a service project to collect stuffed animals for children in domestic abuse shelters. They were led by student, Ms. Kaulana Tagudin.

Representative Rhoads then introduced the students who participated in the program, and their teacher, Ms. Bernadette James.

Cada Akitaro, Ka'imi Chang, Mark Vincent Echavez, Yolany Escobar, Delton Helkena, Bich Tuyen Lam, Jeffrey Nam, Mashalyn Note, Leslie Paez, Hiroshi Park, Melanderson Pero, Carolyn Pondelicek, Lee Samo, Trisha Sessions, Chenoa Soares, Kevin Spirz, Shawn Suda, Kaulana Tagudin, Rosemina Tommy and Tavita Woodard.

At 12:01 o'clock p.m. the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 12:29 o'clock p.m., with Vice Speaker Magaoy presiding.

SENATE COMMUNICATION

The following communication from the Senate (Sen. Com. No. 786) was received by the Clerk:

Sen. Com. No. 768, dated May 7, 2009, informing the House that the following bill has this day passed Final Reading in the Senate:

H.B. No. 200, HD 1, SD 1, CD 1

At this time, the Chair recognized the Clerk who announced:

"I have been informed by a representative of the President of the Senate that the Conference Committee Report for H.B. No. 200, HD 1, SD 1, CD 1, was adopted, and that H.B. No. 200, HD 1, SD 1, CD 1, Relating to the State Budget, passed Final Reading in the Senate at 11:20 a.m. this day.

"In addition, I have been informed by the Assistant Clerk of the House that at 12:03 p.m. this day, H.B. No. 200, HD 1, SD 1, CD 1, has been duly transmitted by the Legislature to the Governor, pursuant to Article VII, Section 9, of the Hawaii State Constitution."

UNFINISHED BUSINESS

Conf. Com. Rep. No. 36 and H.B. No. 982, HD 3, SD 1, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 982, HD 3, SD 1, CD 1, pass Final Reading, seconded by Representative Evans.

Representative M. Lee rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative M. Lee's written remarks are as follows:

"Mr. Speaker, I rise in support of this measure.

"Many family caregivers remain in the workforce, even while providing care to loved ones at home, where they are often the most experienced and valued employees. The ability to take short periods of leave to deal with acute episodes where their presence is needed to provide assistance would enable them to stay in the workplace until retirement, assuring them of adequate retirement benefits. Many now must leave early, making their own retirement uncertain.

"This measure is the first step to building a system of wage replacement benefits for families who are balancing work and eldercare. Before paid family leave is established in Hawaii, data showing the need would be valuable in estimating cost and utilization. Collection of data must apply to both private and public sector employees in order to get a complete picture of what would be required to best help family caregivers.

"Current Family Medical Leave legislation is insufficient:

- Only 55% of all employees are covered and eligible under the Family medical Leave act to guaranteed unpaid family leave for certain medical situations.
- Over three-quarters of those who needed leave but did not take it said this was because they could not afford it.

"There is no provision to provide leave to caregivers.

"Paid Family Leave could save money—it is not a budget buster:

- Paid family leave could reduce the amount of taxpayer money that goes to welfare, unemployment compensation, food stamps, and other public programs.
- Studies show nine percent of FMLA leave-takers were forced to turn to public assistance to help cover the wages they lost as a result of taking family or medical leave. Of women leave-takers, this percentage was even higher: 12%
- Paid family leave helps employers retain valued employees
- Those who care for family members provide a tremendous economic asset to our State.

"With Medicaid costs rapidly piling up, we need to do everything possible to encourage people to be cared for at home – even for a few years. Besides, most people prefer to be at home and not in custodial care. Supporting the family caregiver will become ever more important as our elderly population increases and as our Medicaid costs increase."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 982, HD 3, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO FAMILY LEAVE," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 48 and H.B. No. 994, HD 1, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 994, HD 1, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Ward rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in strong support. Mr. Speaker, this is the Sputnik Bill for Hawaii. After the passage of this bill, I don't believe Hawaii will ever be the same. I'd like to say kudos to the author, the Representative

from Salt Lake, and for those who ushered it through; the Representative from Maui, and the Senator from Ewa Beach.

"With the passage of this bill, we're basically on the horizon of a new industry. It's no longer, 'Beam me up, Scotty,' in something that's just a sci-fi. It's a reality. Space tourism, with this bill, we'll become a space licensing for Hawaii. This will add to a diversification of our tourism plan, educational opportunities for our children, and in the long range, Mr. Speaker, a change in really, the way that people travel.

"Two examples. One is the parabolic space flight that is engendered by this spaceport option. When we all take off normally, we go up until the captain comes on and says, 'We are at a cruising altitude,' around 35,000, 40,000 feet. What the rocket planes do in space tourism is essentially get up to a cruising altitude, ignite their rockets, which are basically on the back of a normal plane, and go up another 10 miles, up to almost, I think until the rocket fuels are expended. Then they cut off and coast another 20 miles up to around 70 miles in the sky, and then they turn down. They get a minute and a half to two minutes of weightlessness.

"Mr. Speaker, you know we have 7 million tourists. Even if a small percentage of those participate in this, this will help a lot of small businesses, it will help the whole attractiveness for coming to Hawaii.

"The second thing is a little bit more space age, Mr. Speaker, and that goes to the future of suborbital travel. Already in Hokkaido there's a spaceport, which we have been told that if Hawaii gets licensed, and a plane takes off, goes up to cruising altitude, shoots its rocket, it can land in Japan in 45 minutes. Mr. Speaker, this is the reality of what this bill does. It's forward-looking. It builds our economy. It builds jobs. There's nothing negative that I could say about it, only that it's about time we get up to speed with the last frontier. Thank you. Mr. Speaker, could I also request written comments. Thank you, Mr. Speaker."

Representative Ward's written remarks are as follows:

"This bill appropriates \$250,000 from the Airport Revenue Fund and \$250,000 from the Tourism Special Fund to be transferred to DBEDT for an application for a spaceport license from the Federal Aviation Administration to establish space tourism in Hawaii. It will forever change the way flight is perceived in Hawaii by resident and visitors alike.

"According to former Governor George Ariyoshi, over \$200 million in annual gross revenues are projected through this plan from launch fees paid for by tourist, universities, private companies and the US Dept. of Defense launching research/remote sensing experiments and payloads.

"It will generate new high-paying employment opportunities for local residents, and tax revenues from spaceport operations will quickly help recapture the State's upfront investment in a space transportation license.

"According to Rocketplane, market studies over the last five years have validated the concept that space tourism can become a billion dollar industry over the next 10 years, with thousands of people from all over the world flying to space in new reusable suborbital spacecrafts.

"There are currently six licensed commercial spaceports in the US and another eight being proposed; in addition, commercial spaceports in Europe, the Middle East and Asia are now in development, forming the backbone of a global network of spaceports which will provide access points to long range hypersonic travel."

Representative M. Oshiro rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative M. Oshiro's written remarks are as follows:

"Mr. Speaker I rise in support of House Bill 994 Conference Draft 1, Relating to Tourism. This measure appropriates \$500,000 for the Department of Business, Economic Development, and Tourism to apply for a spaceport license from the Federal Aviation Administration. Half of the funds will be appropriated from the Airport Revenue Fund and the other half from the Tourism Special Fund. The funds will be used to fund

the environmental and safety studies required to secure an FAA license and make both the spaceplane and other commercial space launch operations in Hawaii possible.

"Some may question the appropriateness of the use of the Airport Revenue Fund and the Tourism Special Fund. Mr. Speaker, the uses of these funds are very valid and appropriate. Mr. Speaker, the Conference Committee received a copy of a letter from the U.S. Department of Transportation Federal Aviation Administration Honolulu Airports District Office addressed to Governor Lingle. The letter states:

"[W]e are not objecting to the use of airport revenue appropriated in the amount of \$250,000 for fiscal year 2009-2010. Specifically, airport revenue can be used to fund the FAA license and limited scope environmental if the State of Hawaii, as the airport sponsor for the State airport system, will also be serving as the airport sponsor of the spaceport at Kona International Airport. The scope environmental should address the impacts of the spaceport on the airport, and more specifically, airport operations, carrier and GA operations, airport land uses, impacts to future airport activities and aeronautical uses."

Mr. Speaker the FAA is not objecting to the use of airport revenue funds for an environmental and safety study for a spaceport license.

"As to the appropriateness of the use of the Tourism Special Fund for the FAA license, Mr. Speaker, having a spaceport license will create a new tourism niche for the State. Market studies have shown that the concept of space tourism can become a billion dollar industry within the next ten years. The Hokkaido Aerospace Science & Technology Incubation Center submitted testimony and is encouraged by the State's interest in developing space tourism and envisions, in the long term, the potential for one hour suborbital flights between Hokkaido and Hawaii as the next phase of space tourism development. Think of it Mr. Speaker, a trip from Hawaii to Japan taking only an hour.

"Spaceplane launches have the potential to generate approximately \$200 million in gross revenues from user fees. In testimony to the Finance Committee, DBEDT named Rocketplane Global, Inc. as a company that has approached the State to request permission to launch spaceplanes as early as 2011. Part of the company's business plan projects includes initial intra-state launches between Honolulu and Kona with future plans for trans-Pacific flights between Hawaii, Japan, and the continental US.

"Mr. Speaker, Rocketplane Global submitted testimony to the Finance Committee confirming its support for Hawaii's spaceplane operations by stating that the company is committed to becoming an anchor tenant for Spaceport Hawaii as soon as a Spaceport Operator's License is approved by the FAA. The company is also considering developing a Spaceport Hawaii Visitor's Center that could become a top tourist attraction on Oahu as well as be a world class space education facility for residents.

"Mr. Speaker at a time when the State needs to further diversify its economy, space tourism is one unique way in which the State can broaden its horizons. By investing in a spaceport license the State will not only be broadening its tourism industry, a spaceport license will also help to further develop our science and technology industry. As former Governor George Ariyoshi stated in his testimony for this measure as it made its way through the legislative process:

"The potential scientific, educational and economic development opportunities afforded by this enterprise are truly substantial. Suborbital spaceflight facilitated by spaceplanes will expand and enrich our visitor industry by adding a completely new dimension to this experience – space tourism! It also will provide low cost and frequent access to space for our academic and private sectors, enabling new R&D opportunities for the development of innovative drug, biotech, and materials science applications by both university researchers and entrepreneurial companies."

Microsats launched aboard spaceplanes will support remote sensing operations to facilitate oceanographic surveillance, pollution monitoring and terrestrial resource management. The development of a spaceport visitor's center at Kalaheo in tandem with spaceplane

operations also will provide unique aerospace education opportunities for both visitors to Hawaii and local residents.

Finally, spaceplane operations will generate new high-paying employment opportunities for local residents, and tax revenues from spaceport operations will quickly help recapture the State's upfront investment in a space transportation license (the only major public sector investment that will be required to realize income from suborbital space flight operations).

Our State is uniquely poised to partake of the tremendous scientific, economic and educational opportunities and benefits afforded through space exploration. I applaud the Legislature's efforts to support this vision through [this] bill...

I know the difficult financial circumstances facing our State Government but we must not overlook the opportunities that are before us. This happens to be one of those that Hawaii cannot afford to pass up."

"Mr. Speaker, as Buzz Lightyear, the character from Disney Pixar's Toy Story says, "to Infinity and Beyond!" For the reasons stated above, I support this measure."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 994, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO TOURISM," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 50 and H.B. No. 1471, HD 2, SD 1, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 1471, HD 2, SD 1, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Yamane rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I'm standing in strong support. And just for the edification of the Members, this idea came from the hotel industry. They approached me, Chair Manahan, and others regarding the idea of having the products being grown here in Hawaii to make it to the plates for our people and our visitors to enjoy. So, I would like to thank the Chairs sitting beside me, the Chair of Tourism, and the Chair of Economic Development, for their strong support for this idea of helping our tourism industry, and helping our local farmers. Thank you."

Representative McKelvey rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In strong support. I just would also like to thank the Chair of Agriculture as well for working with us on this measure. This is a really good measure, and I think this finally brings to fruition finally the idea we have of locally grown products being available in our hotels. But it's also going to help our small farmers in providing a guaranteed marketplace for their product, rather than having to go out and compete in the little farmers' markets and other more volatile sectors. Thank you, very much."

Representative Tsuji rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Tsuji's written remarks are as follows:

"Mr. Speaker, I rise in support.

"Presently, the Hawaii hotel industry buys only 28-32% of locally grown agriculture products, most of which is pineapple. When this bill was heard in Committee, testimony from an industry executive stated the percentage purchased annually from Hawaii farms can be increased through expedited food safety certifications and audit.

"This Bill would establish the Food Certification Pilot Program within the Department of Agriculture and would encourage farmers to form

agricultural cooperatives. Such an arrangement would provide a vehicle to improve consumer awareness on food safety and also provide the support for Hawaii's farms because hotels will buy more of their products when the farms meet or exceed best practices for safe food production.

"Salmonella scares have been frequent media headlines, and we should do what we can to support local food safety certifications and to increase Hawaii's sustainable food supply."

Representative Ching rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Ching's written remarks are as follows:

"Thank you, Mr. Speaker. I stand in strong support to H.B. 1471-Relating to Farms, Safe Food Certification; Pilot Program. The purpose of this bill is to establish a pilot program within the Department of Agriculture to encourage farmers to form agricultural cooperatives, coordinate purchasing agreements between the agricultural cooperatives and hotels, restaurants, and other buyers in the visitor and hospitality industries, and develop and implement safe food certification for products under the pilot program.

"The importance of fresh produce is supported by the Executive Director of the Hawaii Agricultural Research Center who stated, "This bill will help support the local agricultural community and promote safe, fresh, high-quality, locally grown produce." and the President of the Hawaii Hotel & Lodging Association who stated, "One of the critical components of sustainability in Hawaii is being able to obtain our food locally. It is essential that farmers have reliable markets and buyers, and customers have safe and consistent products. This program provides a valuable tool to help accomplish these objectives for all involved."

"It is my belief that during this time of economic hardship it is now more important than ever to support the reliability of locally grown produce in order to ensure a dependable economic market for local agriculture. Thank you."

Representative Manahan rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I also wanted to thank the Chair of Agriculture, as well as the Chair of Health, and the Chair of Finance, especially for helping us support this measure. Also the Chair of Ways and Means on the other side.

"This is a truly wonderful pilot program that was brought to us by the hotel industry. They took the initiative to be able to include our farmers, our local farmers, wanting them to participate and benefit from the local economy, which they are the main engine drivers. But, in essence, what this pilot project does is have the hotel industry really work with the farmers to grow their crops and develop their menus around the crops that they grow. It guarantees them a place to be able to sell their produce and provide for the industry.

"It's truly a sustainable project, it's an organic relationship, and it's really one of the most worthwhile things that this Body has put forward this Session. So, I want to thank you for the support of the Members. And, I'd just like to place additional written comments. Thank you."

Representative Manahan's written remarks are as follows:

"HB1471 establishes a Safe Food Certification Pilot Program which will expand tourism industry access to local produce grown by island farmers. This bill is mutually beneficial for tourism and agriculture. Our hotels and restaurants will be able to take advantage of fresh produce grown locally, and this creates business and jobs for local farmers. It's an 'organic' relationship.

"The program, managed by the Department of Agriculture (DOA), with the assistance of the Department of Health, will encourage farmers to form agricultural cooperatives, coordinate purchasing agreements between the agricultural cooperatives and hotels, restaurants, and other buyers in the visitor and hospitality industries. The program will develop and

implement safe food certification for products under the pilot program to promote fresh, high-quality, locally-grown produce.

"Funding for the implementation of the pilot program this fiscal year will come from the Tourism Special Fund in the amount of \$140,000 to be transferred to the DOA.

"The Safe Food Certification Pilot program will help increase the amount of locally-grown agricultural products purchased annually from Hawaii farms. Currently, the hotel industry requires that farms have, or are in the process of, obtaining their third party food safety certifications and audit.

"With this legislation, more farms will be able to sell their produce to our hotels and restaurants making it less likely that the businesses supporting our tourism industries will look elsewhere for products. "When visitors come to Hawaii, they want to enjoy items locally-grown. This bill is the first step to creating a sustainable and economic relationship between two important industries in Hawaii."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 1471, HD 2, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO FARMS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 77 and S.B. No. 1107, SD 2, HD 2, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 1107, SD 2, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO CONDOMINIUMS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 93 and S.B. No. 1206, SD 1, HD 1, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 1206, SD 1, HD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO COUNTIES," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

At 12:37 o'clock p.m., the Chair noted that the following bills passed Final Reading:

H.B. No. 982, HD 3, SD 1, CD 1
H.B. No. 994, HD 1, SD 2, CD 1
H.B. No. 1471, HD 2, SD 1, CD 1
S.B. No. 1107, SD 2, HD 2, CD 1
S.B. No. 1206, SD 1, HD 1, CD 1

Conf. Com. Rep. No. 94 and S.B. No. 1665, SD 2, HD 1, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that S.B. No. 1665, SD 2, HD 1, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Finnegan rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. I rise in opposition to SB 1665. Thank you, Mr. Speaker. This bill appropriates \$2.4 million of federal Reed Act funds to enable Hawaii's community colleges to establish a Skilled Worker and Business Development Center. The Center would assist businesses and non-profit organizations, retrain and cross-train workers to adapt to the economic downturn and new technology.

"It might appear that I especially, one who is in support of things like this, why would I be voting 'no'? I see that there are four major problems with this bill. First, UH has not listed this Center as one of its priorities. Making sure that they have the autonomy so that they can do their job well is very important to me in establishing programs. This Legislature voted

overwhelmingly to raise taxes, claiming that it was necessary for the State to provide the most basic services, Mr. Speaker. And so, that's the first reason.

"The second reason is, using the federal Reed Act funds in this manner violates federal laws. This bill allows the community colleges to use Reed Act funds, but only the Department of Labor and Industrial Relations, DLIR, as the State agency for Unemployment Insurance trust funds is authorized to expend those funds. In addition, Reed Act funds are only allowed to be used for administering either the State's Unemployment Insurance law, or its public employment offices. Federal staff has confirmed that these funds cannot be used for job training, unless it is to train public employment office employees.

"Third, we need those funds to stay in the Unemployment Insurance Trust Fund. During this economic downturn, so many workers are being laid-off and the funds are being depleted rapidly. No one knows how long this recession will continue, and we must preserve what funds we have left to ensure that the unemployed will have these funds when they need them.

"And finally, if we raid these funds, businesses are going to have to pay more in Unemployment Insurance rates. In 2007, Act 110 lowered the unemployment insurance tax schedule for employers who made contributions into the Unemployment Compensation Trust Fund. That was a really good business opportunity for the businesses, Mr. Speaker. At the time, employers paid an average of \$280 per employee. But after Act 110, the average employer paid \$90 per employee in Unemployment Insurance. However, the Act included a provision that required rates to go back up to the 2007 level if the Unemployment Trust Fund fell below a certain level. This bill, coupled with the continued rise in laid off workers using this Fund will inevitably raise taxes for these businesses.

"Mr. Speaker, that's why I'm in opposition. Thank you."

Representative Evans rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in support. The use of these funds to help our small business during times of change, I think is really important. And, as was spoken by the Minority Leader during the discussion on the budget, she discussed that we definitely need to be thinking about recovery and have a recovery plan. I would argue that helping our small businesses retool, become more efficient and use experts to help them in their process is very important.

"I personally have gone to one of these small development business centers years ago, before some of them were closed down. Some of them were kept, but the one that I went to that eventually got closed down had been very successful in the community. I remember them coming to me, calling me and writing me, saying, 'Why are you taking this away from us. It helps us so much with business planning, and with how to keep our books, how to market.' It's a very successful program, so I ask colleagues to support this. Thank you."

Representative Finnegan rose to respond, stating:

"Thank you, Mr. Speaker. Just a short rebuttal. I think these are the two big differences, and the big difference is violating federal law. If the federal government is coming back and saying we're violating federal law, and we just go, 'Oh, that's okay. That's not that big of a deal, because we are doing something positive.' I think that's where I come up and I say, 'no.' There are rules to using this money, and we need to follow them. If we're found in violation, according to the federal government, they're already saying, 'Yes, this bill violates federal law.'

"Mr. Speaker, that's why I don't take it lightly, and I do look at, yes, this could be very positive for our State. But we could get in trouble as well. So, we've got to make our choices. Thank you."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 1665, SD 2, HD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO HIGHER EDUCATION," passed Final Reading by a vote of 48 ayes to 1 no, with

Representative Finnegan voting no, and with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 102 and S.B. No. 1218, SD 2, HD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that S.B. No. 1218, SD 2, HD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Herkes rose to speak in support of the measure, stating:

"Mr. Speaker, in support. I need to make a clarification. On the description here it says, 'Mortgage Brokers,' and this bill has nothing to do with mortgage brokers, just the mortgage loan originators."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 1218, SD 2, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO MORTGAGE LOAN ORIGINATORS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 104 and S.B. No. 266, SD 2, HD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that S.B. No. 266, SD 2, HD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Pine rose to speak in support of the measure with reservations, stating:

"Yes, I would just like to note my support, but with some reservations. What this bill does is, it establishes the Climate Change Task Force to assess the impacts of global warming and climate change trends in the State. I'm just concerned about this. As we are tightening our belts and trying to find duplications in the budget, I find this task force very similar to one that I voted for in 2007, which established the Greenhouse Gas Emissions Reduction Task Force.

"I just have concerns, because the way that this task force would be appointed, as well as some of the functions of the task force would be very similar, and we are using \$50,000 from our Tourism Fund, and we definitely need that for marketing Hawaii instead."

Representative Ching rose in support of the measure with reservations and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Ching's written remarks are as follows:

"Thank you Mr. Speaker. I rise with reservations to S.B. 266 - Relating to Global Warming. This bill establishes the climate change taskforce to assess the impacts of global warming and climate change trends in the State. I am concerned that this bill is a duplication of a taskforce that already exists. As the State Department of Health explained, 'The Department of Health opposes this measure given that a Greenhouse Gas Emission Reduction Task Force already exists.' The Life of the Land stated, 'The focus of this bill is to set up a climate change task force, populated mostly by bureaucrats, attached to an agency that does not want it, and have them produce a report about what we already know.'

"I believe that given the current economic situation it would be wiser to work with the taskforce that already exists, then to create a duplicative situation which in the end will cost the people of Hawaii more in taxes. Thank you."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 266, SD 2, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO GLOBAL WARMING," passed Final Reading by a vote of 48 ayes to 1 no, with Representative Finnegan voting no, and with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 106 and S.B. No. 1352, SD 2, HD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that S.B. No. 1352, SD 2, HD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Keith-Agaran rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Keith-Agaran's written remarks are as follows:

"Thank you, Mr. Speaker. I support SB 1352 S.D. 2, H.D. 2, C.D. 1 which would allow an owner to opt out of the Land Court system and which transfers recording of timeshare fee interest to the regular system. It further establishes a pilot program to implement electronic recording of fee timeshare interests.

"The Land Court system was originally designed to handle the recording of individually owned properties. No one denies the value and security of the Torrens system with its careful, technical and concentrated review of every document presented for inclusion in the certificate of title. But Hawaii's property law has evolved to recognize and create additional forms of ownership or right to the use of a property which may involve large multiples of owners or interest holders. The rather cumbersome review in the Land Court system was neither designed to handle, nor does handle, the volume of routine and uncontroversial transfers and transactions in an efficient and effective manner.

"This bill authorizes streamlining an important tool in our economy – the timely recording of transactions involving timeshares on Land Court system property.

"Additionally, and perhaps more important for the Neighbor Islands, this measure allows electronic filing of land court and regular system documents and instruments which brings us closer to the goal of modernizing Hawaii's registration and recording process. Bringing our real property recording system into the modern world and making the recording process more user friendly for transactions on the Neighbor Islands is long overdue.

"I urge my colleagues to support this bill."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 1352, SD 2, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO BUREAU OF CONVEYANCES," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 109 and S.B. No. 109, SD 2, HD 3, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 109, SD 2, HD 3, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE INTERSTATE COMPACT FOR JUVENILES," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

At 12:45 o'clock p.m., the Chair noted that the following bills passed Final Reading:

S.B. No. 1665, SD 2, HD 1, CD 1
S.B. No. 1218, SD 2, HD 2, CD 1
S.B. No. 266, SD 2, HD 2, CD 1
S.B. No. 1352, SD 2, HD 2, CD 1
S.B. No. 109, SD 2, HD 3, CD 1

Conf. Com. Rep. No. 111 and H.B. No. 381, HD 2, SD 1, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 381, HD 2, SD 1, CD 1, pass Final Reading, seconded by Representative Evans.

Representative M. Oshiro rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative M. Oshiro's written remarks are as follows:

"Mr. Speaker, I rise to speak in favor of House Bill No. 381, House Draft 1, Senate Draft 1, Conference Draft 1, Relating to the State Of Hawaii Endowment Fund.

"This measure clarifies that all pledges or portions of pledges not collected by an Oahu-based symphony orchestra by February 28, 2013, shall cause any unexpended or unencumbered balance from the State of Hawaii Endowment Fund to revert to the general fund.

"By way of background, the Legislature provided a mechanism to support the Honolulu Symphony as far back is 1987. Over the years, it has evolved to address the growing difficulties the Honolulu Symphony have experienced in meeting its financial needs within the State's ability to support the many worthwhile organizations that provide culture and the arts to our citizens:

ACT 382, SLH 1987

Establishes the Honolulu Symphony Endowment Fund, to be administered by DAGS for the operations of the Honolulu Symphony; and appropriated \$500,000 for FY 1987-1988 and \$500,000 for FY 1988-1989, to be matched on a one-to-one basis through a special fund raising effort; provided that funds not matched by the end of fiscal year 1989 shall revert to the general fund.

ACT 258, SLH 1988

Renames the Honolulu Symphony Endowment Fund the State of Hawaii Endowment Fund (Endowment Fund); provides that the Endowment Fund be a separate fund of the Honolulu Symphony Trust created by the trust agreement dated December 5, 1986; establishes restrictions on the Endowment Fund; and provides that funds in the Endowment Fund in excess of \$1,000,000 not matched by the end of fiscal year 1989 shall revert to the general fund.

ACT 227, SLH 1989

Clarifies the type of contributions that may be received by the Endowment Fund to satisfy matching restrictions; and provides that the amount of funds reverting to the general fund be equal to the principal amount of the funds contributed by the earnings on the principal amount.

ACT 175, SLH 1995

Provides that the \$2,000,000 contributed by the State of Hawaii to the Endowment Fund be transferred on a quarterly basis to the State Foundation on Culture and the Arts, performing and visual arts events private contribution account to be used for the production of music by an Oahu-based symphony orchestra as determined by the State Foundation on Culture and the Arts; and provides that at the end of each fiscal year, any unused income from the Endowment Fund be transferred to the State Foundation on Culture and the Arts for the production of symphonic music and musicians' salaries.

ACT 97, SLH 2006

Appropriates \$4,000,000 for fiscal year 2006-2007 to be deposited into the Endowment Fund, from which the income and capital gains shall be used for the production of music by an Oahu-based symphony orchestra; provided that the funds appropriated be matched, dollar-for-dollar, by private funds.

ACT 156, SLH 2007

Amends Act 97, SLH 2006, to clarify that pledges be included as matching funds for purposes of expending funds in the Endowment Fund, and provide that any unexpended or unencumbered balances from the appropriation lapses on June 30, 2009.

"For decades, Mrs. Ah Quon McElrath has been a steadfast advocate on behalf of the Honolulu Symphony. If it were not for Mrs. McElrath's efforts to lobby this Body for needed assistance, it would not surprise me if we did not have a Honolulu Symphony today.

"Mrs. McElrath used to tell me how she would catch the bus at night to hear the symphony. Because she was well into the twilight of her years and no longer drove at night, she nonetheless would venture from the safety of her home to hear the amazing music they would play. For Mrs. McElrath, she felt it was very important for the City of Honolulu and this State to have a symphony so that all of our citizens, regardless of their economic status, or race, or national origin, would be able to experience and enjoy classical music.

"She would tell me how education, and specifically cultural education, was an essential tool needed for us to break the social barriers that kept some in poverty and despair. Music in particular brought great joy and inspiration to our citizens. It was because of this that she was so ardent a supporter of the Symphony.

"On Thursday, December 11, 2008, just a few days shy of her 93rd birthday, Ah Quon McElrath passed away. She will always be remembered as an icon of great historic importance to the development of modern Hawaii. She will also be remembered as steadfast supporter of the Honolulu Symphony and the cultural arts.

"I would like to dedicate this measure to Mrs. McElrath. Her support for our Symphony has brought great joy and happiness to all who have gained a fonder appreciation of the arts.

"For these reasons, I respectfully urge my colleagues to support this bill. Thank you."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 381, HD 2, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE STATE OF HAWAII ENDOWMENT FUND," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 123 and H.B. No. 343, HD 1, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 343, HD 1, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Yamane rose to speak in support of the measure, stating:

"Mr. Speaker, I will try to be brief. I'm standing in strong support, and I'd just like the Journal to reflect that I would like to thank the Chair of Higher Ed. and applaud his strong effort and commitment to increasing the residency program. Thank you."

Representative Keith-Agaran rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Keith-Agaran's written remarks are as follows:

"I support HB 343, H.D. 1, S.D. 2, C.D. 1 which will continue and expand the John A. Burns School of Medicine (JABSOM) residency program for rural areas, currently in Hilo. In the future, I would hope that the program also expands to Kauai and Maui as well.

"Our rural areas – primarily the Neighbor Islands – remain underserved. The JABSOM program allows physicians to spend a portion of their residency for family practices in rural areas. This training exposes medical students to Neighbor Island life, culture and communities, and perhaps allows homegrown doctors to return to their home areas. Such experience makes it more likely that these students will consider our rural areas – truly God's country-- as a place to establish their practice.

"At the same time, these students are delivering care to medically needy and underserved rural populations. Family physicians are well-suited to rural healthcare due to the broad scope of their practice, which encompasses inpatient, outpatient, and nursing home settings, and addresses acute, chronic, and preventive health care across the life cycle. Many family physicians also provide maternity care, family planning, and mental health services through their practices.

"As Maui's healthcare community and stakeholders continue to master plan and collaborate, fostering and maintaining access will be a key component for the future. The investment reflected in this bill is a down payment on ensuring that our communities will have access to quality healthcare whether they live in urban Honolulu, or in Hilo, or Hanalei, or Paia, Haiku, Lahaina and Kahului.

"I urge my colleagues to support this bill."

Representative Ching rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Ching's written remarks are as follows:

"Thank you, Mr. Speaker. I stand in strong support to H.B. 343 - Relating to Rural Primary Health Care Training. The purpose of this bill is to appropriate funds to develop a statewide rural primary health care training program and support the family medicine residency program of the University of Hawaii John A. Burns School of Medicine's Department of Family Medicine and Community Health. It is my belief that the importance of proper health care influences the community. The County of Hawaii stated, 'The County of Hawaii experiencing extreme shortages of physicians, and this rural residency program is a proven strategy for attracting physicians to the communities where their skills are needed most. When physicians train in rural areas, they are more likely to consider rural areas of our islands as a place to establish their practice. At the same time, they are delivering care to medically needy and underserved rural populations.'

"It is my strong belief that this bill will help encourage and develop healthcare in rural areas. The Hawaii Medical Service Association (HMSA) stated, 'Studies have shown that oftentimes individuals remain to practice medicine in the area where they have completed their residency training. The expansion of this program to other Neighbor Islands will only increase the likelihood that physicians will stay to practice in the more remote areas of our state.' Thank you."

Representative Belatti rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Belatti's written remarks are as follows:

"I rise in strong support of House Bill 343, Conference Draft 1. This bill is critically important to addressing the shortage of primary care physicians or family practitioners that afflicts our entire nation, but is acutely felt in our underserved rural communities. Even in these challenging economic times, the \$140,000 appropriation, spread over a 2-year fiscal period in this measure, is an important investment in the foundation of our healthcare system. By promoting and supporting the John A. Burns School of Medicine's training of family medicine residents in underserved communities and by helping to build a permanent statewide rural primary healthcare training program in each county, we are taking the steps necessary to attract and encourage the movement of family practitioners into underserved areas. For these reasons, I strongly support this bill."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 343, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO RURAL PRIMARY HEALTH CARE TRAINING," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 126 and H.B. No. 1807, HD 1, SD 2, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and H.B. No. 1807, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO WATER QUALITY," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 130 and H.B. No. 1504, HD 1, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 1504, HD 1, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative M. Oshiro rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative M. Oshiro's written remarks are as follows:

"Mr. Speaker, I rise to speak in favor of House Bill No. 1504, House Draft 1, Senate Draft 2, Conference Draft 1, Relating to Health.

"This bill initiates the comprehensive reformation of Hawaii's healthcare system with the ultimate goal of facilitating universal coverage through the provision of affordable, high-quality medical services for Hawaii's residents by:

- Establishing the Hawaii Health Authority (Authority) to develop a comprehensive plan to provide universal health care in Hawaii; and
- Appropriating \$50,000 out of the State Health Planning and Development Special Fund to operate the Authority.

"If it may please this Body, Mr. Speaker, I ask for your indulgence in digressing a bit.

"For the past twenty years, Ah Quon McElrath worked tirelessly to make universal healthcare a reality. It was her dream for everyone in our State and nation to have access to affordable health care. Despite her human frailties, Mrs. McElrath stood as a towering force on behalf of our citizens. She never backed down from hard questions. She always made herself available to educate us on issues. And she always, always stood up for those who couldn't stand up for themselves.

"As the former Chair of your Committee on Labor and Public Employment, I had the privilege and honor of working with Mrs. McElrath on legislation to create a universal healthcare system in Hawaii. I quickly learned how difficult it would be to find consensus among the myriad of affected interest groups -- from the doctors and nurses, to the specialty and alternative providers, from the insurers and employers, to attorneys and consumers. Each group has a stake in this and finding common ground among was seemingly impossible.

"While this would lead anyone to frustration, Mrs. McElrath would always find focus. She would tell me that it will take an enormous amount of political will to find a workable solution. But find a solution we must because that is what our people desperately need.

"She would always remind me of this and urge me to do what is best for our citizens. She was my moral compass. She was my very dear friend.

"On Thursday, December 11, 2008, just a few days shy of her 93rd birthday, Ah Quon McElrath passed away. She will always be remembered as an icon of great historic importance to the development of modern Hawaii.

"This bill is dedicated to Mrs. Ah Quon McElrath. It was her dream for everyone, regardless of their income, or race, or national origin, to have access to quality healthcare, and this bill sets the foundation for that goal.

"It goes without saying that we are all better off today because of Mrs. McElrath. It is my hope that she will continue to be a hero to us all and keep us focused on the needs at hand. If we can all commit to making the world a little bit better tomorrow than it is today, we will all be better off.

"At the appropriate time, Mr. Speaker, I ask that we have a moment of silence in the memory of Mrs. McElrath.

"I respectfully urge my colleagues to support this important measure."

Representative B. Oshiro rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative B. Oshiro's written remarks are as follows:

"Mr. Speaker I am in strong support of House Bill 1504; a bill that once again places Hawaii at the forefront of healthcare reform. In 1974 our State passed first of its kind legislation that required private employers to provide health insurance to employees working twenty hours a week. As a result, that same year the number of uninsured in Hawaii fell from thirty percent to five-percent. HB 1504 establishes the Hawaii Health Authority which will plan for, and eventually oversee, comprehensive health care in Hawaii.

"Among other things, the Authority will establish eligibility for inclusion in the health plan for all individuals, evaluate healthcare and cost effectiveness of all aspects of the health plan for all individuals, and establish a budget for a health plan for all individuals.

"Consider the following, in just over a decade (since 1994) the number of uninsured individuals living in Hawaii has doubled – more than ten-percent of our State's population does not have medical insurance.

"Also consider that Hawaii's unemployment rate is just over seven-percent, which has not been experienced since early in 1978. While these figures are low by national standards, they unfortunately trend toward people having less medical coverage rather than more. We also find ourselves in the midst of a major recession that has led to over five-million jobs being lost since the end of 2007. With employer based health insurance making up over sixty-percent of the coverage the currently exists, we can anticipate further increases in the number of uninsured.

"The timing of this measure, therefore, could not be better. Thomas Friedman referred to the need for a national health plan back in 2006, when he said, "[T]hings may have to get much worse before reality can break through the combination of powerful interest groups and free-market ideology." Perhaps the recession, coupled with growing numbers of uninsured and sky-rocketing medical premiums has created just the kind of 'break through' needed to take on this complex issue here in Hawaii.

"With the passage of HB 1504 we can finally imagine a health system that will ensure residents would not be rejected for medical coverage based on pre-existing medical conditions and that coverage would be portable – regardless of whether you change or lose a job.

"Those opposed to this measure are concerned about the future cost of universal healthcare to our State – the goal of the HHA. Their concern is valid, which why the Authority will be required to give the Legislature a full report of their plan before the convening of the Regular Session of 2011, and thus, before additional financial allocations could be made.

"I commend my colleagues on moving this legislation forward and I look forward to hearing from the Authority on its plan for developing a comprehensive health plan for Hawaii."

Representative Ward rose to speak in opposition to the measure, stating:

"Mr. Speaker, I rise in opposition. Mr. Speaker, I had voted for this measure, and I thought it's a step of discernment, and a step forward. But then the component in it, which for universal healthcare says, already without the planning, without the discernment, establishes all reimbursable services to be paid by the Hawaii Health Authority.

"I don't think there's anybody in this room that doesn't believe in universal coverage. We're all in agreement of that. But universal access, how are you going to pay for it, how are you going to ration it? This already has made up its mind that there's a single payer. I think there're other options. My point being, before we've established this Authority, we've already said what the outcome's going to be. It's like having the GET tax and saying it's going to be steel on steel, rather than saying we're going to have mass transit. I think this goes a little bit too far, Mr. Speaker, and that's why I'm against it. Thank you."

Representative Ching rose in opposition to the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Ching's written remarks are as follows:

"Thank you, Mr. Speaker. I rise in opposition to H.B. 1504 - Relating to Health.

"The purpose of this bill is to create the Hawaii Health Authority to develop a comprehensive plan to provide universal health care in Hawaii. While I support certain aspects of this bill, the tele-medicine and bulk purchase of prescription, however these are things that can be done without compromising quality. I have concerns on the feasibility and cost of establishing a universal healthcare insurance system as well as taking away the element of accountability and consequence to health. The Department of Health stated, 'It is uncertain how the system will be financed and if it will be able to accommodate the additional costs of providing healthcare for those who are not currently insured.' Thank you."

Representative Keith-Agaran rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Keith-Agaran's written remarks are as follows:

"Thank you, Mr. Speaker. I strongly support HB 1504, H.D. 1, S.D. 2, C.D. 1, which creates the Hawaii Health Authority to develop a comprehensive plan to provide universal healthcare in Hawaii. A small sum of seed money (\$50,000) is appropriated for the next fiscal year to look into the feasibility of moving universal healthcare in Hawaii towards reality.

"Our young State – only fifty years old in August -- led the nation in caring for its workers when our Legislature passed the Hawaii Prepaid Healthcare Law almost forty years ago. We were able to provide healthcare to almost all of our workers (those who work 20 or more hours per week) without bankrupting the economy. Today, our communities and businesses are faced with sky-rocketing healthcare costs for our fellow citizens and more of our citizens are left without any options for healthcare. Those who are forced to take part-time work of less than 20 hours a week in these tough economic times have to do without health insurance. As noted in the preamble of this measure, in 1994 Hawaii had an uninsured rate between two and five per cent of its population. Today, the Healthcare Association of Hawaii estimates that the current rate of uninsured individuals is more than ten per cent of the State's population.

"This bill also rightly recognizes the late humanitarian, labor, and community activist Ah Quon McElrath for her contribution toward improving the welfare of the people of Hawaii. It is fitting that this legislative body dedicates this bill in honor of Ms. McElrath. I am hopeful that Hawaii will again be among the first in the nation to make universal healthcare a reality for our people.

"I urge my colleagues to vote in favor of the bill."

Representative Mizuno rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I rise in support of this measure. Thank you, very much. Just a little bit of rebuttal to the good Representative from Hawaii Kai. I actually agree with him in the sense that I'd hate to raise the cost of healthcare. I'd hate to hurt any of the businesses. I understand the genesis of his argument, to take something so grand, as to have universal healthcare in the State of Hawaii. I can most certainly appreciate his concerns. But Mr. Speaker, having universal healthcare in Hawaii would actually reduce healthcare costs. We would actually protect our employers and businesses by reducing their copayments.

"And how are we to do this? Well, what will happen is, you'd have a task force start on work on a program to cover all of Hawaii's residents, except on Medicare beneficiaries, our federal workers, military dependents, and retirees covered under Tricare. Medicaid would be folded into a single payer program, except for those who are also eligible for Medicare.

"In fact, there was a study that was done by the Newman Group. It was done in 2006. Their report was quite interesting. In fact, their conclusion

was that Hawaii, if we moved to a single-payer system, we could save up to \$282 million for health insurance and reduced administrative costs. The report also stated that employers would save about \$30 million for early retirees who would become covered under a single-payer program. Furthermore, Mr. Speaker, State and local governments would save an estimated \$94 million annually on insurance coverage for workers and retirees, as a result of enrolling these beneficiaries into a single-payer plan.

"The last point I wanted to make is, when we're talking about universal healthcare, this can also address a lot of our concerns with tort reform. It's quite possible we can look into a system of maybe having the Attorney General's Office address and represent physicians in the State. Again, lowering the cost of lawsuits.

"We'd move to electronic medical records in a billing system. Of course, the electronic medical records will reduce physician and healthcare workers' errors, thereby also reducing lawsuits. If we went to a medical electronic billing record system, we would eliminate late billing and penalties connected to it. We would be more efficient, as far as bill generation and of course, better in collection of unpaid amounts.

"And finally, bulk purchasing power would probably save the State millions when we talk about a central system, purchasing prescription medication, and medical equipment. For those reasons, Mr. Speaker, I support this measure. Thank you, very much."

Representative Awana rose in support of the measure and asked that the remarks of Representative Mizuno be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative Finnegan rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. In opposition. Thank you, Mr. Speaker. I've never disagreed with the goal of wanting to make sure that people can get insurance. But, the difficulty is that whenever you try to do this, and there are many good reasons that the Chair of Human Services has mentioned on ways that we could possibly save money in doing this.

"The problem that I have with universal healthcare as a whole is that you end up spreading out the risk more. And, when you spread out the risk more, something's going to suffer. For those of us who make healthy choices, for those of us who have insurance, we take on more of the burden of those who don't. Now ordinarily, you would say that's compassionate. We would want to do that so more people have insurance coverage. But, when you're talking about all the thousands of people out there, and I would say tens of thousands, maybe hundreds of thousands of people out there who have insurance, who are still having struggles with paying their insurance costs, with paying for their doctors' bills. No more are we going to be able to say, 'Okay, well we're going to get this kind of coverage.' No. As a state and as somebody who is going through developing a program like this, we're going to have to say, 'Okay, well there's going to be certain things that we can't put in here, because it's too expensive.'

"What they did in Australia is, they even paid for sneakers for prevention care. They reimburse you for sneakers. I was sitting at a table and talking to someone, and I said 'Wow, that's kind of neat,' and they have universal healthcare, government-sponsored healthcare. But, they said, 30 to 40, if I remember correctly. I'm going off the top of my head. 30 to 40 percent of their people pay for supplemental insurance. Supplemental insurance just to get the kind of insurance that probably we have today.

"Mr. Speaker, this is a rise in cost. I like the whole personal responsibility part of healthcare. Mr. Speaker, if there is a way to do it, I hope that this task force is able to figure it out. But when I was on this task force, Mr. Speaker, I just don't want to spend another \$50,000 to come up with the same challenges over again. Thank you."

Representative Evans rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I rise in support. The reason I support this is because the debate on where we're going with our healthcare system in

Hawaii has not ended. As a matter of fact, we're passing several really progressive bills this year on how we're going to deal with healthcare, meeting the deficit and the problems we're having with Hawaii Health System Corporation. How we're dealing with the issues of the lack of some medical specialists in Hawaii, and also how we're going to deliver to our rural communities.

"So, the issues keep coming up and we keep talking about them. We're doing some fixes, but the real discussion, I think is with this Authority. Because basically, it's looking at the fact that healthcare premium costs are going up. There's new technology. We have more people who are uninsured. We have the demographics of a growing population. All these things are right before us.

"So, the healthcare crisis is right on our doorstep. This Authority has to address all these issues, in one Body. They have to bring them all together. They have to talk about it. There's an assumption here that we're going to end up with this grandiose universal healthcare program. There are no guarantees when you put this Authority together and what they're going to come out with. Because, you've got to have a place that gathers all the facts, knows what all the pieces to the puzzle are, and can actually, hopefully come up and show us what the options, what the reality is.

"I personally like it, because I've been very unhappy with SHPDA, which is our health planning agency. I don't think they've done this. I don't think they've put together all the facts and collected all the data. It's time that we do this. Thank you."

Representative Ward rose to respond, stating:

"Mr. Speaker, just a very brief rebuttal to the Representative from the Big Island, and our colleague from Kalihi. The notion of looking at something is different than implementing it. As I said, my reservation, and now my vote against it is that it's already prejudged. It's not looking at doing and then deciding, diagnosing. It's actually saying, 'Okay, it's single payer.' The unfortunate thing, Mr. Speaker, the single payer role-models we have. The UK, Canada, I think the Australian example that my colleague just gave; those are not the ideals that we should be doing, because it's punitive to our seniors.

"The seniors use 80% of the healthcare system. When they have to wait two to three months for an operation which they need, that is punitive. So, we make everybody covered. But in terms of the service and the quality, we've got to make sure that we don't just jump into this for the sake of doing it. That's why I say, because they've prejudged it and made it into a single payer, there's got to be a better way to make a mousetrap than those three examples that are out there, plus the European models. We've got to do it better. I mean, this is the U.S. We've got the best healthcare system in the world, but we just got to push out the access and the ability to get everybody inside of this 'big tent' and the big hospital that we all deserve to go to.

"So, sure, let's save money, but let's not punish people because we're saving money. Thank you, Mr. Speaker."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 1504, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO HEALTH," passed Final Reading by a vote of 45 ayes to 4 noes, with Representatives Ching, Finnegan, Marumoto and Ward voting no, and with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 134 and S.B. No. 423, SD 1, HD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that S.B. No. 423, SD 1, HD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Yamane rose to speak in support of the measure, stating:

"Mr. Speaker, I'm standing in strong support. Mr. Speaker, this is a very important bill, and I would like to highlight for the Members that we do have information and letters, even from our Congressional Delegation, that

with this money that Finance was able to find, which is over \$12 million, that we would have a \$12.5 million federal Medicaid DSH money match, Mr. Speaker.

"As stated by the Healthcare Association of Hawaii, in addition to supporting Hawaii's hospitals, the federal funds that would be drawn down represent an infusion of money into Hawaii that would help bolster our economy during these harsh economic times.

"Mr. Speaker, I applaud all the members in the Senate regarding passage of this measure. Thank you."

Representative McKelvey rose to speak in support of the measure, stating:

"Thank you very much, Mr. Speaker. In strong support. May I have the words of the previous speaker entered into the Journal as if they were my own, except for the Senate part? Thank you," and the Chair "so ordered." (By reference only.)

Representative M. Oshiro rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative M. Oshiro's written remarks are as follows:

"The purpose of this bill is to ensure continued access to healthcare in our communities and meet rising healthcare costs by appropriating \$12,291,054 in State general funds for fiscal year 2010 to maximize the availability of the federal disproportionate share hospital allowance of \$15,000,000 secured by Hawaii's Congressional delegation.

State Share	\$ 12,291,054	45.04%
Federal Match	\$ 15,000,000	54.96%
Total	\$ 27,291,054	
Ratio	1.2204	

"Per the U.S. Department of Health and Human Services website:

"Disproportionate Share Hospital (DSH) adjustment payments provide additional help to those hospitals that serve a significantly disproportionate number of low-income patients; eligible hospitals are referred to as DSH hospitals. States receive an annual DSH allotment to cover the costs of DSH hospitals that provide care to low-income patients that are not paid by other payers, such as Medicare, Medicaid, the Children's Health Insurance Program (CHIP) or other health insurance."

"I urge everyone to support this measure that will provide critical safety net funding for all our private hospitals during these tough economic times."

Representative Ching rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Ching's written remarks are as follows:

"Thank you, Mr. Speaker. I stand in strong support to S.B.423 - Relating to Health. The purpose of this bill is to appropriate money to match federal funds for Medicaid disproportionate share hospital (DSH) allowance.

"Currently healthcare providers are suffering financially because of low payments made by health care insurers. The AARP stated, 'The availability of these funds is more critical than ever in light of the State's fiscal downturn, and will provide much needed support to safety net hospitals. These hospitals are struggling to meet the demands placed upon them by the increasing number of uninsured. These DSH resources will strengthen their ability to meet the increasing healthcare needs of our community.' With Hawaii's growing population of uninsured and underinsured the

stability of our State's health care providers cannot be over looked. It is my belief that S.B. 423 addresses this issue. Thank you."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 423, SD 1, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO HEALTH," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

At 12:59 o'clock p.m., the Chair noted that the following bills passed Final Reading:

- H.B. No. 381, HD 2, SD 1, CD 1
- H.B. No. 343, HD 1, SD 2, CD 1
- H.B. No. 1807, HD 1, SD 2, CD 1
- H.B. No. 1504, HD 1, SD 2, CD 1
- S.B. No. 423, SD 1, HD 2, CD 1

Conf. Com. Rep. No. 140 and S.B. No. 1202, SD 2, HD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that S.B. No. 1202, SD 2, HD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Rhoads rose to disclose a potential conflict of interest, stating:

"Mr. Speaker, I just need to request a ruling on a possible conflict. My wife's firm represents Better Place, a purveyor of electric vehicles. Thank you," and the Chair ruled, "no conflict."

Representative Thielen rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I'm rising to speak in support of the measure, but with some caution. It relates to plug-in vehicles. Mr. Speaker, I fully support the technology. I'd like to see it develop and flourish. The concern I have is the source of the power. You drive a plug-in vehicle home, you plug it into the wall, and on Oahu, you're primarily powering that vehicle, or regenerating the power for that vehicle from fossil fuel.

"Hawaiian Electric has made a commitment to move ahead. It's made a commitment with the Hawaii Clean Energy Initiative. It's made a commitment not to build anymore fossil fuel based plants. But, at this point, they don't have the renewable energy supply on Oahu to make us feel really clean when we plug in our vehicle at our home. In fact, I think it's the opposite. That we are generating more power from fossil fuel on this island. So, as the electric vehicles move forward, Mr. Speaker, we have to make sure that our utility does the same thing, and that the percentage of power provided to our homes from true renewable energy is increased to keep pace. And then we really will be doing a clean future.

"Steven Chu, who is our Nobel physicist, and the Secretary of Energy, a brilliant man, and he's talking about the great ship 'Titanic,' our nation, and of course for our island. But, he has some very good things to say, that are very appropriate to us. Our dependency on foreign oil, our national security, our economic prosperity, and the climate-change issue. He says that they are not ultimately political questions. He says that this is a way into the 21st century, a way to regain our technological leadership, regain our high-quality manufacturing leadership that we have lost. All of these things, as well as helping save the world. We can do it, Mr. Speaker. Unfortunately, Hawaii is going to do it slower, because we killed Act 221. We can do it, and we must do it. But the plug-in vehicles must be plugged in into a grid that is going to be powered by renewable energy. Primarily renewable energy. And, unfortunately, we won't have the high tech people here, because of the death of Act 221. Thank you."

Representative Morita rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In support of this measure. The bulk of my comments, I'd like to submit in written remarks, but I do want to comment on some of the points that the Representative from Kailua made. It is important to consider where we get the source of our energy, so she makes

a really good point on that. But, I also want to point out that when you have electric vehicles, especially plug-in vehicles, the energy conversion is far more efficient from electricity than it is for gasoline. So, even though we may be getting the energy source from fossil fuel, again, it's still an advantage using electric vehicles, because of the energy conversion. So, I just wanted to make that point clear to our Members. But, I would like to submit written comments. Thank you."

Representative Morita's written remarks are as follows:

"Mr. Speaker, I rise in support of this measure. This bill is one of three key legislative bills this session to help secure Hawaii's clean energy future and one of the concepts emerging from the Hawaii Clean Energy Initiative.

"This bill helps to lay the ground work to include the transportation portion of Hawaii's bigger energy picture by addressing our transportation needs in two ways. First, by preparing the infrastructure for the entry of electric vehicles into Hawaii's market. Secondly, by supporting the diversity of alternative fuels and vehicles to meet our transportation through opportunities via competitive grants associated with the American Recovery and Revitalization Act.

"Lastly, I again want to comment on the remark made by the Representative from Kailua regarding her hesitation of electric vehicles because of her concern that such cars may rely on electricity generated from fossil fuels. This by no means should stop any progress forward because, as I mentioned earlier, fossil fuel being utilized for electricity generation is far more efficient and less polluting than fossil fuel being utilized in a car's internal combustion engine. It is far easier to capture emission from one smokestack than thousand of tailpipes.

"Thank you for the opportunity to add to my earlier comments."

Representative Souki rose to speak in support of the measure, stating:

"Yes, Mr. Speaker and Members, I do favor this measure, as I was a Co-Chair on this measure. However, I can see some problems brewing in the future in having the energy capability for the State of Hawaii. If I can just deviate a little bit, the Secretary of Energy did mention that they expect some brownouts and some blackouts throughout the nation, because we don't have the degeneration capacity.

"There is no doubt that there will be some increase in expending additional energy from our power plants that we have throughout the State with this here. And, so is with all of the growth of the State as we move along. Not only because of this here.

"What I'm saying is, as much as we need and want renewable alternate energy, we still are dependent upon increasing our generation capacity. And, unless you do this, we're going to be having blackouts and brownouts very soon. Thank you, very much."

Representative Thielen rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Thielen's written remarks are as follows:

"It is important to remember the role of electric utility companies when thinking about implementing a strictly green plug-in system of transportation in Hawaii. HECO, Hawaii's leading electricity producer, serves 86% of its customers through fossil fuel generation, providing the remaining 14% with renewable generation derived mostly from waste-to-energy resources. Of that 14%, not even 5% is derived from the abundant *natural* resources we have here including wind, ocean and geothermal source. These figures indicate that there is a severe disconnect between the potential of Hawaii becoming a clean energy leader and our reluctance to end our addiction to fossil fuel.

"Utilizing more of Hawaii's natural resources such as wave energy to power plug-in vehicles could add as much as 200MW to the power grid. A very small part of HECO's energy portfolio is renewable and to realize the plug-ins true "green" potential, the power source providing the energy for plug-in outlets needs to be as pure and green as possible. HECO has plans

to add up to 235MW of renewable energy on Oahu alone and a combined 470MW on neighbor islands Molokai, Lanai, Maui and Big Island. By 2015, the company estimates that a minimum of 15% of its sales will be derived from renewable resources. With a move toward a greener, cleaner, more sustainable future, hybrids and plug-in hybrids can be a part of Hawaii's future."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 1202, SD 2, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO TRANSPORTATION ENERGY INITIATIVES," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 148 and S.B. No. 1674, SD 2, HD 2, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 1674, SD 2, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE UNIVERSITY OF HAWAII," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 149 and S.B. No. 43, SD 2, HD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that S.B. No. 43, SD 2, HD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Pine rose to speak in opposition to the measure, stating:

"Yes, in opposition, please. Yes, what this bill does is, it creates the John Burns School of Medicine Special Fund, and establishes an expenditure ceiling by basically charging doctors more for their licenses. And, it's basically to help us to find out why doctors are leaving.

"The Hawaiian Medical Association, which is the organization that represents doctors here at the Legislature, was quite disturbed by this measure, because they said in Committee that you don't have to spend more money to tell us why we're leaving. We can do that for you for free. They said physicians are already having severe financial difficulties, due to the low reimbursements, that's one of the problems, high medical malpractice insurance, and the fact that they can't pass on some of these higher costs to their insurance or others.

"And so, they were a little offended by this bill. They saw that government need not to be involved in this process. They could solve the problem for us for free. Thank you."

Representative Ching rose to disclose a potential conflict of interest, stating:

"Thank you. I'd like a ruling on a potential conflict of interest, please. My husband's a physician," and the Chair ruled, "no conflict."

Representative Ching continued in opposition to the measure and asked that the remarks of Representative Pine be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative Thielen rose to disclose a potential conflict of interest, stating:

"Mr. Speaker, may I get a ruling on a potential conflict? My grandson is at the John A. Burns School of Medicine. Thank you," and the Chair ruled, "no conflict."

Representative M. Lee rose to speak in support of the measure, stating:

"Mr. Speaker, in support. Mr. Speaker, it's no secret we have a shortage of primary care physicians in the State of Hawaii, and we're unaware of the exact numbers, because a system which would monitor our healthcare workforce is not in place. The Department of Commerce and Consumer Affairs collects mailing addresses and information on physician competence. However, they do not collect demographic information, work location information, services provided, or future practice plans. As a

result, no one really knows how many physicians are actively practicing medicine in Hawaii, or what services are available in our communities. 8,000 physicians are licensed in Hawaii, however, it is assumed that less than half are actually practicing. It's hard to know which factors contribute to the current medical shortage, because there's no data collected.

"The most cost-effective and efficient way to obtain this data would be by expanding the questions asked of physicians themselves at relicensure. Every physician who provides care to patients in Hawaii must be licensed. Therefore, asking the questions at relicensure allows us to maintain a current and accurate database, which would be updated every two years.

"This measure would not increase costs to the taxpayers of Hawaii. An increase of \$30 to the physician's licensing fee would fund the collection of data. That's \$30, which doesn't seem to be really extreme. This increase would make the relicensure fee \$150, keeping Hawaii's physicians' relicensure fees well under the national average of \$250. This small increase allows us to obtain the necessary information to address the physician shortfall in the State of Hawaii at a small cost.

"I note that a number of physicians supported this bill in Committee, including Dr. Virginia Pressler and Dr. David Sakamoto. And, for all these reasons, I urge the Members' support. Thank you."

Representative Finnegan rose and asked that the Clerk record a no vote for her, and the Chair "so ordered."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 43, SD 2, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO PHYSICIAN WORKFORCE ASSESSMENT," passed Final Reading by a vote of 44 ayes to 5 noes, with Representatives Ching, Finnegan, Marumoto, Pine and Ward voting no, and with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 151 and H.B. No. 427, HD 1, SD 1, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and H.B. No. 427, HD 1, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST ONE PLANET PACIFIC ENERGY, LLC, A PROCESSING ENTERPRISE," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 152 and H.B. No. 1627, HD 2, SD 2, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and H.B. No. 1627, HD 2, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

At 1:11 o'clock p.m., the Chair noted that the following bills passed Final Reading:

S.B. No. 1202, SD 2, HD 2, CD 1
 S.B. No. 1674, SD 2, HD 2, CD 1
 S.B. No. 43, SD 2, HD 2, CD 1
 H.B. No. 427, HD 1, SD 1, CD 1
 H.B. No. 1627, HD 2, SD 2, CD 1

Conf. Com. Rep. No. 153 and H.B. No. 1628, HD 1, SD 2, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and H.B. No. 1628, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST BIOENERGY HAWAII, LLC," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 154 and H.B. No. 1483, HD 1, SD 1, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 1483, HD 1, SD 1, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Rhoads rose to disclose a potential conflict of interest, stating:

"Mr. Speaker, I just needed to request a ruling on a potential conflict. One of my wife's clients is Better Place Hawaii, Inc. Thank you," and the Chair ruled, "no conflict."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 1483, HD 1, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR BETTER PLACE HAWAII, INC.," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 155 and H.B. No. 1678, HD 1, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 1678, HD 1, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative B. Oshiro rose to disclose a potential conflict of interest, stating:

"Mr. Speaker, I'd like to ask for a ruling on a potential conflict. At my law firm, I represent one of the principals for this organization, but I'm not doing anything related to this matter. Thank you," and the Chair ruled, "no conflict."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 1678, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 156 and H.B. No. 34, SD 1, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and H.B. No. 34, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO STATE BONDS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 161 and H.B. No. 899, HD 1, SD 1, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 899, HD 1, SD 1, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Carroll rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In strong support. In 1994, the Legislature passed Act 283, Session Laws of Hawaii, 1994, to improve the administration of the Office of Hawaiian Affairs, by giving the Office of Hawaiian Affairs the authority to issue revenue bonds secured by the moneys received by the Office of Hawaiian Affairs from the 20% share of the revenue, from the Public Land Trust. Act 283 accomplished this purpose through amendments to Chapter 10: Hawaii Revised Statutes, that primarily added a new part, entitled, 'Revenue Bonds.'

"In Section 1 of Act 283, it noted that the Office of Hawaiian Affairs was established as a body corporate, and as a separate entity independent of the Executive Branch. Further, Section 1 noted that 1978 Constitutional Convention intended that the Office of Hawaiian Affairs have maximum control over its budget, assets, and personnel. The Act also enabled the Office of Hawaiian Affairs to maximize the trust funds without eroding the trust's corpus, by providing another alternative to leverage the trust funds.

"Act 283 required that the revenue bonds authorized by the Office of Hawaiian Affairs be issued by, and on behalf of the agency's Board of Trustees, and not by, or on behalf of the State. The Act provided that these revenue bonds would be excluded from the State's debt ceiling, and that issuance of the Office of Hawaiian Affairs' revenue bonds would have no effect on the State's power to issue general obligation bonds, or the funded debt of any political subdivision, under Article VII, Section 12, of the Hawaii Constitution.

"Although the Office of Hawaiian Affairs has never issued revenue bonds, the Hawaii and national economies are now creating a renewed impetus for the Office of Hawaiian Affairs to seek alternative sources of funding for its project.

"The purpose of House Bill 899, Conference Draft 1, is to clarify and strengthen the Office of Hawaiian Affairs' bond authority. The Act contains, among other things, provisions clarifying the ability of the Office of Hawaiian Affairs to meet the requirement that an office project be self-supporting, by using Office of Hawaiian Affairs revenues that consist of rates, rentals fees, and charges for the use and services of a public undertaking, improvement, or system, or user taxes.

"Members, this is a good bill, and I urge you to please support this measure. Mahalo nui."

Representative McKelvey rose in support of the measure and asked that the remarks of Representative Carroll be entered into the Journal as his own, and the Chair "so ordered." (By reference only.)

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 899, HD 1, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE OFFICE OF HAWAIIAN AFFAIRS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

At 1:15 o'clock p.m., the Chair noted that the following bills passed Final Reading:

H.B. No. 1628, HD 1, SD 2, CD 1
 H.B. No. 1483, HD 1, SD 1, CD 1
 H.B. No. 1678, HD 1, SD 2, CD 1
 H.B. No. 34, SD 1, CD 1
 H.B. No. 899, HD 1, SD 1, CD 1

Conf. Com. Rep. No. 162 and H.B. No. 1364, HD 1, SD 1, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 1364, HD 1, SD 1, CD 1, pass Final Reading, seconded by Representative Evans.

Representative M. Oshiro rose to speak in support of the measure, stating:

"Mr. Speaker, I stand in strong support."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 1364, HD 1, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE BUDGET," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 165 and H.B. No. 900, HD 2, SD 1, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 900, HD 2, SD 1, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Carroll rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In strong support. Members, please be patient with me. I would like to give a few comments on this bill. The Office of Hawaiian Affairs' mission is to *malama* Hawaii's people and

environmental resources, and OHA's assets toward ensuring the perpetuation of the culture, the enhancement of lifestyle, and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally, as directed by the State Constitution.

"In Conference, we passed a budget which provides the Office of Hawaiian Affairs with critical resources for the trustees to continue their work in making lives better for Hawaiians. And in doing so, better for all citizens of our great State. The hard questions were asked, and through follow up and going straight to the source for the answers, we were able to come to an agreement of \$2.4 million in general funds for the Office of Hawaiian Affairs' operating budget, which follows the 20% cuts faced by other State agencies.

"First, I would like to thank Senator Hee and Senator Kim for all the work which they have done in understanding the workings of the Office of Hawaiian Affairs, and how its general fund budget fits into its overall operations. From those initial briefings in January, to our deliberations in Conference over the last week, they have remained steadfast in their desire to do what is best.

"I would also like to thank both of them for asking the hard questions, and remaining open to various points of views. A special mahalo to my Finance Chair, Representative Marcus Oshiro for the trust which he has had in me, as we have gone through this budgeting process. Thank you, Chair Oshiro. And, I want to also thank your Finance staff and your Finance Committee for an outstanding job.

"Colleagues, we have passed a budget, which provides the Office of Hawaiian Affairs with critical resources for the trustees to continue their work in making lives better for Hawaiians, and in doing so, better for all people of our State. As we better the conditions of Native Hawaiians, we better the condition of all citizens of our great State. The State's obligation to Hawaiians and Native Hawaiians are included in the provisions of Chapter 10, as well as in Article XII of the State Constitution. This is the basis for appropriating general funds to OHA, to satisfy the State's statutory and constitutional mandates.

"Regarding operational expenses used by OHA for those Hawaiians who have less than 50% of the blood quantum, general fund revenues have been used to address their needs. Furthermore, during our deliberations when Conferencing on House Bill 900, it was agreed that the Office of Hawaiian Affairs would transfer over \$1.2 million to the State of Hawaii, as the State's portion of an award provided to the Native Hawaii Legal Corporation in May of 2006, in the Hokulia case.

"As we know, over the years, legislative appropriations made for Native Hawaii legal services have been paid for equally by the State of Hawaii through State general funds, and trust funds through the Office of Hawaiian Affairs. Thus, it is appropriate that any funds realized as result of legal action taken by the contracted legal services provider be shared equally by the two organizations responsible for the funding of these legal services, OHA and the State of Hawaii. These funds being paid by OHA will help other State programs that are in need.

"In these difficult economic times, all programs are being asked to do all that they can to assist. We know that Native Hawaiians understand this concept well. *Malama Kekahi I Kekahi*. We respect and care for others and all that surrounds us. I would like to acknowledge the Office of Hawaiian Affairs for all the good work which it has done in our community, and ask that they continue to *malama* our Hawaiian people and all people. It is truly a *kakou* thing.

"House Bill 900 provides much needed resources in three areas: Hawaiian legal services, educational enrichment, and social services for Hawaiians. Again, in these difficult times, the need to provide educational enrichment opportunities for our *keiki* is extremely important. The lack of adequate safety nets in our community makes the need for emergency assistance in housing and subsistence important for Hawaiians and all needy members of our community.

"Finally, allowing us to continue to provide legal services to our Native Hawaiian people will help to achieve justice and fairness in our community. More importantly, I want to thank all the people who called, wrote, and spoke up and shared their thoughts and views on the OHA budget bill. My heartfelt mahalo to the Office of Hawaiian Affairs, all the Conference Chairs and managers of House Bill 900, the House Committee on Hawaiian Affairs members, and the Finance Committee members, and everyone who supported the House position on this measure.

"In closing, I want to say that we can be proud of this budget, and know that services will continue because of your support of this measure. I look forward to working with everyone during the interim as the House Committee on Hawaiian Affairs Chair, and identifying critical needs in our Hawaiian community. And, I urge you all to please support this measure. Mahalo."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 900, HD 2, SD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE BUDGET OF THE OFFICE OF HAWAIIAN AFFAIRS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 166 and H.B. No. 300, HD 1, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 300, HD 1, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Karamatsu rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Karamatsu's written remarks are as follows:

"When the House passed the Judiciary budget to the Senate, the House reduced the budget by \$28,065,985 in the first fiscal year (2009-2010) and \$28,065,985 in the second fiscal year (2010-2011). The proposed Judiciary Budget by the House was \$124,232,511 in the first fiscal year (2009-2010) and \$124,232,511 in the second fiscal year (2010-2011). The House also eliminated 114 vacancy positions.

"In contrast, the Senate draft reduced the Judiciary budget by \$8,408,626 in the first fiscal year (2009-2010) and \$8,408,626 in the second fiscal year (2010-2011). The proposed Judiciary budget by the Senate was \$143,889,870 in the first fiscal year (2009-2010) and \$143,889,870 in the second fiscal year (2010-2011). The Senate did not eliminate any vacancy positions.

"In Conference, after negotiations between the House and the Senate, we agreed to reduce the Judiciary budget by \$11,000,000 and eliminated 79 vacancy positions. As a result, the Judiciary budget has become \$141,298,496 in the first fiscal year (2009-2010) and \$141,298,496 in the second fiscal year (2010-2011). We restored all the initial cuts to the purchase of service agreements, which funded many of our important non-profit corporation legal services. The capital improvement projects for the Judiciary budget included: \$230,000 for plans and design for a new administrative services office building for the Kapolei Judiciary Complex; \$3,995,000 for design and construction for upgrade and modernization of the elevators at Kauikeaouli Hale on Oahu; \$550,000 for plans and land acquisition for a new Judiciary Complex for Kona; and \$5,000,000 for plans, design, construction, and equipment for the remodeling and upgrading of Judiciary buildings statewide for fiscal biennium 2009-2011. Thank you."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 300, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE JUDICIARY," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 168 and S.B. No. 21, SD 1, HD 1, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No.

21, SD 1, HD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO GOVERNMENT," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 171 and S.B. No. 884, SD 2, HD 1, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 884, SD 2, HD 1, CD 1, entitled: "A BILL FOR AN ACT RELATING TO NON-GENERAL FUNDS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

At 1:22 o'clock p.m., the Chair noted that the following bills passed Final Reading:

H.B. No. 1364, HD 1, SD 1, CD 1
H.B. No. 900, HD 2, SD 1, CD 1
H.B. No. 300, HD 1, SD 2, CD 1
S.B. No. 21, SD 1, HD 1, CD 1
S.B. No. 884, SD 2, HD 1, CD 1

At 1:22 o'clock p.m. Representative B. Oshiro requested a recess and the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 1:26 o'clock p.m.

At this time, the Chair announced:

"Members, we will be taking two measures out of order."

Conf. Com. Rep. No. 177 and H.B. No. 1260, HD 1, SD 1, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, Conf. Com. Rep. No. 177 and the attached proposed CD 1 on the disagreeing vote of the House to the amendments proposed by the Senate in H.B. No. 1260, HD 1, SD 1, entitled: "A BILL FOR AN ACT RELATING TO GOVERNMENT," was recommitted to the Committee on Conference, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 178 and H.B. No. 1404, HD 1, SD 1, CD 1:

Representative B. Oshiro moved to recommit Conf. Com. Rep. No. 178 and the attached proposed CD 1 on the disagreeing vote of the House to the amendments proposed by the Senate in H.B. No. 1404, HD 1, SD 1, back to Conference Committee, seconded by Representative Evans.

Representative Souki rose, stating:

"Yes, Mr. Speaker. A point of information. On House Bill No. 1404, my understanding is that it is going to be going to Senate Bill No. 387. Is that correct?"

At 1:28 o'clock p.m. the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 1:29 o'clock p.m.

The motion was put to vote by the Chair and carried, and Conf. Com. Rep. No. 178 and the attached proposed CD 1 on the disagreeing vote of the House to the amendments proposed by the Senate in H.B. No. 1404, HD 1, SD 1, entitled: "A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX," was recommitted to the Committee on Conference, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 173 and S.B. No. 1673, SD 2, HD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that S.B. No. 1673, SD 2, HD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Ward rose to speak in support of the measure with reservations, stating:

"Mr. Speaker, I rise with reservations. Mr. Speaker, this is a bad bill made good in parentheses, in that this started out with the decimation, if you will, of the Hawaii Health System and put it into the Department of Health. What we decided ..."

Representative Yamane rose to a point of order, stating:

"A point of order, Mr. Speaker. He is not reading the correct draft of the bill."

Representative Ward: "... 15 years ago was not to do this and now we're doing it."

Vice Speaker Magaoy: "Representative Ward, please proceed. Please proceed. I will give you some latitude, but please proceed. Go ahead."

Representative Ward continued, stating:

"I'm trying to say that we took a wrong turn by trying to put this back into the Department of Health, which Mrs. Fukino, the Director, said would be an anathema to the healthcare of the State of Hawaii, and putting the healthcare and the finances of the State in jeopardy. This now straightens it around.

"But why I'm with reservations, Mr. Speaker, is that there's such a love-hate relationship between the State, this Body, and that core which watches over the people for us. We've got to get over this. We've got to get this, in, out, up, down. We've got to say, this is the healthcare system with 13 hospitals, which we are going to work professionally, organizationally, systematically, to make them work. We keep tweaking and playing with this thing. And this bill now, it looks like it's heading in the right direction, but I think given the personalities and the different positions that we've seen this in the reiterations in this bill go through, it's schizophrenic. Healthcare should not be. That's a mental health issue. This is the physical health of the people of Hawaii. Thank you, Mr. Speaker."

Representative Yamane rose to speak in support of the measure, stating:

"I'm standing in strong support. In January, your House Health Committee was asked to work collaboratively with our Senate counterpart to produce a bill that would improve the quality of care of the people of Hawaii, and especially those on our Neighbor Islands. Today, Mr. Speaker, we have a measure before us that will accomplish this goal, while taking into consideration the unique needs of each community. I truly believe that S.B. 1673 will not only improve the quality of healthcare throughout our Aloha State, but will also allow each of the five regions to chart their own destiny.

"Members, please remember that HHSC is the fourth largest public healthcare system in the United States, made up of 13 public hospitals and healthcare facilities on five islands. It operates more than 1,200 beds, and has over 4,000 employees. So, Mr. Speaker, this measure will literally affect the lives of tens of thousands of people, and impact the fabric of our healthcare delivery system in Hawaii.

"Never during the development of S.B. 1673 did I lose sight of the importance of HHSC, to our Neighbor Islands and rural families. I remain very aware that in Ka'u, the community hospital in Pahala offers emergency room and healthcare services that are not available for more than 50 miles in either direction. Mr. Speaker, some of us can never truly understand what it is like having only one option for healthcare for over a hundred miles. But, this measure before us, Mr. Speaker, says to those who endure those conditions that we do listen and we do care.

"Mr. Speaker, this measure does more than just give more regional and community control. It also addresses a long history of fiscal liabilities plaguing HHSC. Members, please remember that in early 2008, we provided an emergency appropriation of \$14 million, and yet, in 2009, HHSC was projected to have a deficit of \$62 million. Add this to the fact

that in some places HHSC had a 60 to 90 day lag time in accounts payable, and was threatened to lose critical pharmaceutical services because of non-payment. You can see that it is vital that we responded.

"Mr. Speaker, my colleagues might be asking, 'What will S.B. 1673 do?' S.B. 1673 will eliminate the \$20 million in liabilities prior to 1996, allow the regions the ability to make memorandums with their employees, change the corporate board make up, and allow criminal record checks for existing and potential employees, as well as board members. S.B. 1673 also requires an annual internal audit, both regional and corporate for the issues of management and operations. And very importantly, it allows each region to determine the medical services that best meet their needs.

"Finally, S.B. 1673 allows a transfer of the region or system to a new entity, but only with the approval of the regional boards, a legal review by the Attorney General, a fiscal review by the Director of Budget and Finance, and the Governor's approval. Mr. Speaker, this bill is the culmination of many hours of hard work and input from the employees and people of our great State. The Legislature and the proponents of this measure worked hard together to provide HHSC the tools and resources it needs to be successful.

"Mr. Speaker, this measure would not be possible without the input and assistance of many of our House colleagues, our Senate counterparts, and all their staff. I truly believe, Mr. Speaker, that this measure is a balanced approach that will improve the healthcare system of Hawaii. A former colleague and dear friend, former Representative Bob Nakasone once envisioned the healthcare system that was unique to his region, yet leveraged the resources of a large system to provide the best possible quality healthcare to the people of the State and his community. I hope today he would be proud.

"Members, I encourage you to support this measure as a big step in the right direction for healthcare of all of our people. Thank you."

Representative Souki rose to speak in support of the measure, stating:

"Yes, Mr. Speaker. I speak in favor of this measure, and I would be very proud to have the remarks of the Representative from Mililani as my own. I want to thank the Representative for doing such a great job, the Chair and the Conferees. Thank you, and aloha."

Representative McKelvey rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In strong support. And may I have the comments of the Chair of Health entered into the record as if they were my own. I think this stops the runaway train. If you heard the comments of a previous speaker, you'd think the HHSC was doing such a stellar job that our healthcare system is second to none, and that's clearly not the case. There's 18% corporate overhead, with absolutely no accountability and transparency. If that would occur in the private sector, I would wager that there would be a lawsuit brought.

"This is an incredible job that he did. I don't think anybody could fathom the different factions and the way this thing has evolved. But he remained committed, worked long hours, and refused to give up. I think this is finally the solution that we've all been looking for, and I also believe it builds upon the dream of a former colleague of ours, Representative Bob Nakasone, to truly deliver a healthcare system that will allow regional empowerment, as well as a system that will leverage the ability of these Regional Boards, to not only have their own decision-making, but to also be able to get their cost down, and to finally have some oversight, transparency and accountability. Thank you, very much."

Representative Keith-Agaran rose to disclose a potential conflict of interest, stating:

"Thank you, Mr. Speaker. I would like a ruling on a possible conflict. My law partner is a member of the Regional Board for Maui, and I'm a member of a board for a non-profit that's affiliated with the local hospital system," and the Chair ruled, "no conflict."

Representative Keith-Agaran continued in support of the measure, stating:

"I'd like to speak in support. I did want to thank the Chair of Health and all the colleagues who were involved in the discussions over this matter, and I'd like to submit additional remarks into the Journal."

Representative Keith-Agaran's written remarks are as follows:

"Thank you, Mr. Speaker. I strongly support SB 1673, S.D. 2, H.D. 2, C.D. 1 which provides a framework for moving the community hospital system into its next phase and which empowers the communities served by these facilities to have a greater say in how they are run and realizing what should become the future of these hospitals. This bill recognizes the dynamic and challenging nature of healthcare not just in Hawaii, but throughout this nation. The bill acknowledges that the worldwide economic downturn also requires structural changes that allow HHSC flexibility to explore partnerships and ventures outside of the government.

"This measure notably shifts the composition of the HHSC Board to empower the Neighbor Islands with major stakes in a successful community hospital system. The bill provides greater regional representation in the HHSC by including regional Chief Executive Officers as voting members of the Corporation Board and also including two members from the County of Maui, two members from the County of Hawaii, one member from the Island of Oahu, and one member from the Island of Kauai. The county members would be nominated by the respective regional board from each county.

"Moreover, this bill provides homerule as it should be implemented – the regions receive greater authority, but also greater responsibilities. Significantly, the measure allows HHSC or any of the Regional Boards to negotiate with the public worker unions a supplemental memorandum to a collective bargain agreement. These supplemental memorandum can help build flexibility for our hospital administrators to negotiate scheduling for proper and efficient staffing that is based on providing quality healthcare rather than scheduling and staffing requirements in general governmental but non-healthcare settings.

"Of interest to my own county, the bill allows a region to transition out of HHSC and creates a straightforward process for review and approval of such transition. These sections provide a reasoned structure for a region to position itself to best serve the populations it serves. The measure does not require a region to leave HHSC, but again gives homerule opportunities to the stakeholders.

"I would like to express my Aloha and Mahalo to the House leadership that worked hard to include all the members who have an interest in rural healthcare and the future of HHSC. This truly was a work in progress throughout the Session. The willingness of leadership to hear the concerns that Neighbor Islanders brought on behalf of our constituents, our doctors and healthcare professionals and advocates, and especially our families is much appreciated.

"Finally, as the good representative from Mililani who chairs the Health Committee and who led our Conference Committee noted, we would all be remiss if we did not mention and thank the seeds my predecessor Robert Nakasone planted in connection with this bill. Rep. Nakasone sat in this seat when the State created the Hawaii Health Systems Corporation (HHSC) and has observed its functioning over the years. As originally envisioned, he would remind us, HHSC was intended to be regionally-driven by the communities served by our State facilities. Instead, HHSC evolved into a centralized top-down operation. This Legislature, with Rep. Nakasone's prodding, in recent years authorized Regional Boards and provided some additional local control. This measure moves us further towards allowing the stakeholders to set the course and empowers the Neighbor Islands with flexibility to implement the future of healthcare we desire on our islands. Rep. Nakasone cared deeply about healthcare as a key to the quality of life of any community. This bill is consistent with maintain and improving health in our rural areas and I believe Bob would have strongly supported this bill.

"I urge my colleagues to support this measure."

Representative Carroll rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In strong support. I felt compelled after seeing my Maui delegation stand up, so I want to stand with them. I also would like to ask for the words from the Representative from Mililani to be inserted in the Journal as my own. Thank you," and the Chair "so ordered." (By reference only.)

Representative Souki rose, stating:

"Yes, Mr. Speaker, and Members. I would be remiss if I didn't mention the spur of this change. He insisted on change, and reminded us of the need for change. The great Representative Herkes, on my left. Thank you."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 1673, SD 2, HD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 174 and H.B. No. 36, HD 1, SD 2, CD 1:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, the report of the Committee was adopted and H.B. No. 36, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO HEALTH," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 175 and H.B. No. 690, HD 2, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 690, HD 2, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Finnegan rose and asked that the Clerk record a no vote for her, and the Chair "so ordered."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 690, HD 2, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO INSURANCE," passed Final Reading by a vote of 48 ayes to 1 no, with Representative Finnegan voting no, and with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 176 and H.B. No. 1464, HD 3, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 1464, HD 3, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Thielen rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Thielen's written remarks are as follows:

"As an island state, our heavy reliance on fossil fuels is not economically or environmentally viable. As a co-sponsor of House Bill 1464, I believe this bill is a bold move towards energy independence for our State. HB 1464 requires the State Energy Resource Coordinator to identify geographic areas in Hawaii that are rich with renewable energy resource potential and develop renewable energy projects within those renewable energy zones. In its original form that I co-sponsored, HB 1464 declared that Hawaii would not allow the construction of any new fossil fuel plants. Yet unwisely, this provision was removed from the final bill.

"As stated by Nobel Laureate Stephen Chu, the new Secretary of Energy, "Our dependency on foreign oil, our national security, our economic prosperity, and the climate change issues-these aren't ultimately political questions. This is a way into the 21st century, a way to regain our technological leadership, regain our high quality manufacturing leadership that we have lost, all of these things, as well as helping save the world."

Obviously the time to act is now. Hawaii must lead by setting an example of energy autonomy, which includes a ban on any new fossil fuel plants."

Representative Morita rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In strong support. I have some comments I'd like to give on the Floor and submit some additional comments. Thank you. Again, I rise in strong support of this bill. This bill is one of three key legislative measures that will help to secure Hawaii's clean energy future. This bill incorporates two major concepts resulting from the Hawaii Clean Energy Initiative: Increasing the renewable energy portfolio standards to achieve a mandate of 40% of our electricity generation from renewable resources by the year 2030, and the establishment of an energy efficiency portfolio standard to achieve a target of 4,300 gigawatt hours of electricity-use reductions statewide by 2030.

"Mr. Speaker, I think we all know the value of renewable energy, but I cannot emphasize enough how important energy efficiency is to Hawaii achieving its clean energy goals. In 'energy-wonk' circles, energy efficiency is known as the fifth fuel, implying that the cleanest and cheapest energy is the one that you don't use. In an *Economist* article last year, it stated that studies by the McKenzie Global Institute show that a global energy efficiency drive would be profitable in keeping the concentration of greenhouse gases in the atmosphere below 550 parts per million, and relying on existing technology would earn an average return of 17% and a minimum of 10%. Therefore, the only byproduct of energy efficiency is wealth.

"Mr. Speaker, our work in this area is not done with the passage of this bill. However, it is a good start. We need to work aggressively in setting minimum floors on energy efficiency in our building codes, in new constructions, substantial renovations, and retrofits. Fortunately, the building industry does not need to wait for mandates. Some progressive architects, developers and contractors have already embraced the value of energy efficiency. Unfortunately, others in that sector are not, and again, to the detriment of the consumer and the environment.

"So, Mr. Speaker, we still have lots of work to do, and I'd like to submit, again, additional comments for the Journal, as well as the *Economist* article for insertion. Thank you."

Representative Morita's written remarks are as follows:

"Governor Linda Lingle recently remarked that I was the sole legislator that killed the fossil fuel ban, language that was included in earlier versions of House Bill 1464. I take full responsibility for removing that language from the Conference draft, but not for the reason she cited.

"A simple ban on fossil fuel generation makes for an easy sound bite, but does not equate to a practical implementation of State law. Mr. Speaker as you and my colleagues well know details are very important. A ban in law would be inflexible and problematic if not carefully thought out. Throughout the public hearing process there was never a workable draft. The language that was discussed was poorly written and none of the various reiterations, including my own, addressed various concerns. As the Legislature neared critical deadlines, the discussion had to end in order for the rest of the bill, which contained the important clean energy initiatives we are voting on today, to move forward.

"Further, a fossil fuel ban gives the impression that we can meet all our energy needs through renewable energy sources, however, in 2030 it is projected that a substantial amount of Hawaii's electrical generation will still rely on fossil fuels. I strongly believe that all of Hawaii's future energy options should not be shut off prematurely without a full understanding of cost, reliability and carbon footprint impacts.

"Hawaii's clean energy future is a transition of moving away from our dependency on fossil fuels by incorporating energy efficiency and renewable energy. It will not happen overnight and will require that we make the right investments in various technologies at the most opportune time to minimize risk and costs. Wind and solar are intermittent sources of energy which will require some kind of storage technology which is not readily available. Currently, local production of biofuel crops is not

available. Imported biofuels are more expensive and in some cases actually have a larger carbon footprint than some of the petroleum products from Hawaii's refineries.

"Right now, the emphasis of Hawaii's clean energy future should be on maximizing energy efficiency, the low hanging fruit, to put off the decision and need to build new fossil fuel power plants for as long as possible, the integration of a renewable energy system into a modernized smart grid and establishing the right pricing mechanisms, including consideration of possible federal initiatives and carbon taxes. Bills being voted on by the Legislature this week address this strategy. It is too simplistic to think that we can just draw a line in the sand banning fossil fuels without factoring cost and reliability issues and not anticipate inadvertent consequences.

"I am sure the Governor and I are equally passionate about moving Hawaii to a clean energy future, but we know we have to be realistic and pragmatic in crafting laws that will frame our clean energy opportunities long into the future.

"Thank you for allowing me to make these additional remarks."

Representative Morita also submitted the following article:

"THE ELUSIVE NEGAWATT
May 8th 2008

If energy conservation both saves money and is good for the planet, why don't people do more of it?

IN WONKISH circles, energy efficiency used to be known as "the fifth fuel": it can help to satisfy growing demand for energy just as surely as coal, gas, oil or uranium can. But in these environmentally conscious times it has been climbing the rankings. Whereas the burning of fossil fuels releases greenhouse gases, which contribute to global warming, and nuclear plants generate life-threatening waste, the only by-product of energy efficiency is wealth, in the form of lower fuel bills and less spending on power stations, pipelines and so forth. No wonder that wonks now tend to prefer "negawatts" to megawatts as the best method of slaking the world's growing thirst for energy.

Almost all blueprints for tackling global warming assume that energy efficiency will have a huge role to play. Nicholas Stern devoted a whole chapter to it in the report he wrote on climate change for the British government. In the greenest of futures mapped out by the International Energy Agency, a think-tank financed by rich countries, greater efficiency accounts for two-thirds of emissions averted. The McKinsey Global Institute (MGI), the research arm of the consultancy, thinks that energy efficiency could get the world halfway towards the goal, espoused by many scientists, of keeping the concentration of greenhouse gases in the atmosphere below 550 parts per million.

MGI is particularly enthusiastic because it believes that unlike most other schemes to reduce emissions, a global energy-efficiency drive would be profitable. The measures it has in mind, all of which rely on existing technology, would earn an average return of 17% and a minimum of 10%. The Intergovernmental Panel on Climate Change, a group of scientists advising the United Nations on global warming, makes a similar point. It believes that profitable energy-efficiency investments would allow Pakistan to cut its emissions by almost a third, Greece by a quarter and Britain by more than a fifth.

In other words, big investments in energy efficiency would more than pay for themselves, and fairly fast. Although a lot of money would have to be spent--\$170 billion a year until 2020--by MGI's reckoning that is only 1.6% of today's global annual investment in fixed capital. Moreover, with ample profits to be made, financing should be easy to attract.

Yet if there are so many lucrative opportunities to improve efficiency, why are investors not already taking advantage of them? To a degree, they are: in America, for example, "energy intensity"--the amount of energy required to generate each dollar of output--is falling by about 2%

a year (see chart 1). This is only partly because America's factories, houses, cars and appliances are becoming more efficient: it is also because energy-guzzling factories have moved to cheaper spots such as China. But globally, too, energy intensity is falling by around 1.5% a year.

That decline is not predestined. Before the first oil shock, in 1973, America's energy intensity was falling by only 0.4% a year. At that languid pace, America would now be spending 12% of GDP on energy instead of 7%, according to Art Rosenfeld, an efficiency pioneer and a member of the California Energy Commission, which sets efficiency standards and other energy policies for the state. Simply by buying more efficient fridges over the years, he reckons, Americans have come to save more than 200 terawatt-hours (TWh) annually, or roughly 80 power plants' worth.

But as McKinsey points out, there are still hundreds of billions of dollars' worth of unfulfilled but potentially profitable opportunities in energy efficiency available to households and companies. What is holding investors back?

One answer is price. In the eyes of many consumers, electricity and fuel are often too cheap to be worth saving, especially in countries where their prices are subsidised. Industrialists in Russia are profligate with natural gas, because it sells there at a quarter of the international price. Drivers in Qatar have little incentive to scrimp on petrol when they pay barely a dollar a gallon for it.

By and large, energy intensity is, not surprisingly, lower in countries where electricity prices are higher. It is no coincidence that Denmark has both high power prices and an energy-efficient economy. Among American states, for every cent per kilowatt-hour by which prices exceed the national average, energy consumption drops by about 7% of the average. George David, the boss of United Technologies, a conglomerate that makes air-conditioners, lifts and aircraft engines, among other items, argues that higher fuel and power prices are the only motor needed to drive energy efficiency.

But there are still plenty of profitable investment opportunities in energy efficiency, even in the places with the most expensive power. David Goldstein, author of a recent book on energy efficiency, points out that until recently businesses in New York lit their premises more brightly than did those in Seattle, despite New York's much higher power prices. And Hawaii, the American state with the dearest power, is not the most efficient (although the one with the cheapest, Kentucky, does come bottom of the efficiency table).

The problem, analysts explain, is a series of distortions and market failures that discourage investment in efficiency. Often, consumers are poorly informed about the savings on offer. Even when they can do the sums, the transaction costs are high: it is a time-consuming chore for someone to identify the best energy-saving equipment, buy it and get it installed. It does not help that the potential savings, although huge when added up across the world, usually amount to only a small share of the budgets of individual firms and households. Despite recent price increases, spending on energy still accounts for a smaller share of the global economy than it did a few decades ago.

For all these reasons, homeowners, as Lord Stern pointed out in his climate-change report, tend to demand exorbitant rates of return on investments in energy efficiency--of around 30%. They generally want new boilers or extra insulation to pay for themselves within two or three years, says Mark Hopkins, of the United Nations Foundation, an NGO. Businesses are not quite so demanding, he says, but they still tend to put greater emphasis on increasing revenues than on cutting costs.

Similar stories crop up in the markets for new homes and offices, appliances and vehicles. Builders are not the ones who end up paying the utility bills, so have little reason to add to the construction costs--and hence the price of a home or office--by incorporating energy-saving features. The makers of appliances and cars also know that not all consumers and drivers will think as carefully about running costs as

about the purchase price. By the same token, landlords have scant incentive to invest in energy efficiency on their tenants' behalf. And power companies are usually keen to encourage their customers to consume as much power as possible.

Financing energy-efficiency investments can also be difficult. In the developing world, capital can be scarce. In rich countries, the savings from making individual homes more efficient are too small and the overheads involved too high to be of much interest to most banks.

THE SCENT OF SAVINGS

Despite these obstacles, as energy prices rise and more countries adopt limits on greenhouse-gas emissions, banks and consultancies are beginning to sniff an opportunity. Firms that help businesses and families to trim their energy bills have become common enough to earn an acronym: ESCos, or energy-service companies. Their industry group in America says business, which had been growing at 3% a year in the early part of this decade, is now increasing by 22% a year. The total revenues of the 46 ESCos it surveyed were about \$3.6 billion in 2006, about three-quarters of which came from energy efficiency.

Typically, an ESCo designs a scheme to reduce a building's energy bill, borrows money to pay for the kit it needs, and installs and maintains it over a fixed period. Clients do not need to provide any cash up front: the ESCo's reward comes from retaining most of the savings--out of which it must repay the loan. The revenues are steady and predictable enough to allow ESCos to unburden their balance sheets and lower their borrowing costs by securitising them. Hannon Armstrong, one of the financial-service firms involved, says it has arranged more than \$1.5 billion-worth of such securities.

The hitch is that 80% of ESCos' customers in America are from the various branches of the government, along with schools, hospitals and universities. Small businesses and households would provide a much bigger market, but they tend to be less creditworthy and to move more often. Moreover, the transaction costs tend to outweigh the savings.

Jeff Eckel, of Hannon Armstrong, believes it is possible to overcome these problems by aggregating many similar properties and by drawing up clever contracts. The Clinton Climate Initiative, a charity set up by the former American president, is thinking along the same lines. It has persuaded the local authorities in 40 big cities around the world to co-ordinate their investments in energy efficiency. It then used the allure of such a big market to persuade the makers of energy-efficient goods, the ESCos that will install them and the banks that will finance them to reduce their margins. The cities with which the charity has linked up include Chicago, London and New York.

Most governments, however, do not seem convinced that businessmen and do-gooders are capable of overcoming the impediments to energy efficiency on their own. So they are intervening in markets. The variety of methods they use hints at the difficulties.

The simplest tactic is to try to get the public to think. Britain set up a body called the Energy Saving Trust in 1993; America has a similar outfit, called Energy Star. Among other things, it helps consumers identify energy-efficient products and houses through a voluntary labelling scheme. The European Union goes slightly further, with compulsory labelling of goods such as fridges, washing machines and dishwashers; and Britons selling a home must now have its energy efficiency assessed.

But consumers often ignore such labels or at least do not give them as much weight as price, appearance or convenience. So governments sometimes try to make efficient appliances more appealing through financial incentives. America's federal government, for example, offers a tax credit to makers of extremely efficient appliances--and several states give rebates, income-tax credits or sales-tax exemptions to anyone who buys them. China has just said it will subsidise makers of compact fluorescent light-bulbs, which are four or five times more efficient than the cheaper incandescent sort.

Other governments blanch at bribing people to do something that is already in their interest. Australia has proposed banning incandescent light-bulbs outright. Many have adopted building codes and appliance standards that dictate minimum levels of efficiency. Several tighten the standards regularly, to foster constant improvement. Japan's Top Runner scheme, for example, identifies the most efficient appliances on the market in different categories, and then requires all competing brands to improve on them within four to six years. Those that fail face fines.

Businesses often complain that such tough measures impose undue costs, which they must then pass on to consumers as higher prices. They also argue that their customers should be free to buy bigger or more powerful devices if they want, even if that makes them relatively inefficient. Notably, America's carmakers have used such arguments to resist increases in fuel-economy standards.

When Congress raised standards last year it tried to address these complaints by setting different targets for heavy and light vehicles. Each firm's target is an average across all the cars it sells, not a model-by-model limit, so there is still scope to make the odd guzzler. Anyway, environmentalists dispute the notion that energy-efficiency standards drive up prices. The average price of fridges in America has fallen by more than half since the 1970s, even as their efficiency has increased by three-quarters, according to Mr Goldstein. Those gains have come in spite of steady increases in the size of the average unit (see chart 2).

Governments are also obliging utilities to get involved in the business of energy efficiency. Some, including many American states, add an extra sum to electricity bills to finance investments in energy efficiency. Others specify the amount of energy to be saved, rather than the amount to be spent. France, for example, requires gas and electricity suppliers to invest enough over three years to reduce projected demand by 54TWh.

Britain and Italy have similar schemes, although the targets are expressed in tonnes of carbon and barrels of oil, respectively. External auditors verify the savings, and the "white certificates" they issue when they have done so are tradable. The intention is to keep the cost of the scheme low by allowing those that can achieve reductions most cheaply, including ESCos, to do so on behalf of less expert participants. The idea is also spreading in America: Connecticut, Nevada and Pennsylvania have all adopted it.

A SPARKY DIVORCE

But a white-certificate scheme would have to be very demanding to outweigh a utility's incentive to sell more power. So other American states have gone further, and attempted to "decouple" utilities' profits from their sales. Regulators forecast demand and allow utilities to charge a price that would recoup their costs and earn a fixed return on the basis of that forecast. If demand turns out to be lower than expected, the regulator lets prices rise so that the utility can make the mandated profit; if it is higher, the regulator cuts prices to return the excess to customers.

California, predictably, has gone further still. It first decoupled sales and profits for gas in 1978 and for electricity in 1982. Last year, it adopted a scheme called "decoupling plus", which aims to make investments in energy efficiency more profitable for utilities than new power stations would be. Fees to finance energy-saving measures are added to each bill, and utilities spend the money in pursuit of targets set by the regulator, the California Public Utilities Commission (CPUC). The commission then calculates the savings from these investments, compared with the cost of new power plants. If a utility achieves between 85% and 100% of the target, it is allowed to keep 9% of these savings. If it exceeds the regulator's target, it gets 12%, more than it would earn from building new infrastructure. Between 65% and 85% it does not earn any return at all, and below 65% it pays a fine for every kilowatt-hour by which it has fallen short.

This complicated system is designed to make sure utilities spend more on energy efficiency, but do not waste billpayers' money on investments of dubious merit. California's private utilities now spend about a \$1 billion every year on energy efficiency. In July the CPUC will announce

their energy-savings targets as far as 2020. The state, says Dian Grueneich, one of the commissioners, hopes to meet half of all projected demand growth through increased energy efficiency.

Less dainty governments just oblige the most energy-hungry firms to cut back. The 13,000 factories in Japan with the highest energy use are required to improve their efficiency by 1% a year. Those that fail to do so are fined. China's central government has followed suit, setting energy-efficiency targets for the country's 1,000 biggest firms. That step, in turn, has spawned similar initiatives in the provinces. Overall, the Chinese government hopes that energy intensity will be 20% lower in 2010 than it was in 2006.

However, no matter what methods governments adopt to encourage energy efficiency, the results may not be as impressive as they imagine. The culprit is something called the "rebound effect". Falling demand for electricity or fuel brought on by an efficiency drive should lead to lower prices. But cheaper energy, in turn, is likely to prompt greater consumption, undermining at least some of the original benefits. What is more, consumers with lower electricity or fuel bills often put the money they have saved to some other use, such as going on holiday or buying an appliance, which is likely to involve the consumption of fuel and power.

Economists disagree about the size of the rebound effect, which is hard to measure. The British government commissioned two studies of the effect, from two different universities. The first found that it cancelled out roughly 26% of the gains from energy-efficiency schemes; the other put the figure at 37%. Either way, negawatts are worth pursuing. But they are unlikely to satisfy the world's thirst for energy to the extent their advocates assume."

Representative Belatti rose to speak in support of the measure, stating:

"Mr. Speaker, I stand in strong support."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 1464, HD 3, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO ENERGY RESOURCES," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

At 1:44 o'clock p.m., the Chair noted that the following bills passed Final Reading:

S.B. No. 1673, SD 2, HD 2, CD 1
H.B. No. 36, HD 1, SD 2, CD 1
H.B. No. 690, HD 2, SD 2, CD 1
H.B. No. 1464, HD 3, SD 2, CD 1

At 1:44 o'clock p.m. the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 1:46 o'clock p.m.

At this time, the Chair announced:

"Members, on the last bill on this page, HB No. 128, HD 1, SD 1, CD 2, the Chair would like to move that to the end of the calendar for today."

Conf. Com. Rep. No. 179 and H.B. No. 989, HD 1, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 989, HD 1, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Yamane rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Yamane's written remarks are as follows:

"Mr. Speaker, I rise in strong support of H.B. 989, H.D. 1, S.D. 2, C.D. 1, Relating to Children's Health Care, which extends the Hawaii Children's Health Care Program to June 2012. This program, also known as Keiki Care, is an important tool in the drive to provide health care coverage for ALL children in Hawaii.

"The demand for Keiki Care Coverage was demonstrated when the program was initially launched, with 100 new enrollees each month it was in effect. While there are those who would worry about a "crowd-out" of low-income children by families that would otherwise be paying for health insurance, the eligibility requirements of the Keiki Care Program are designed to prevent this. In addition, the requirement within H.B. 989 that children receive care at Federally Qualified Health Centers (FQHCs) adds to the likelihood that eligible families will be redirected to Medicaid programs, which provide greater benefits at a lower cost to the State.

"Furthermore, Mr. Speaker, in alignment with the goals of the Keiki Care Program, the Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009 greatly increases federal funding and federal match dollars for children's healthcare, saving the State about \$7.1 million annually; this shows the federal government's commitment to providing coverage for children.

"The reporting requirements of the Keiki Care bill should also ensure that a wealth of information be collected during the term of this program, which will be a valuable asset in future efforts to provide healthcare coverage for all the *keiki* of Hawaii."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 989, HD 1, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO CHILDREN'S HEALTH CARE," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

Conf. Com. Rep. No. 180 and H.B. No. 1271, HD 3, SD 2, CD 1:

Representative B. Oshiro moved that the report of the Committee be adopted, and that H.B. No. 1271, HD 3, SD 2, CD 1, pass Final Reading, seconded by Representative Evans.

Representative Coffman rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in strong support of House Bill 1271. Thank you. Mr. Speaker, we've been talking about food and energy self-sufficiency and sustainability for years. We import about 85% of our food. We import about 95% of our energy. We export our money. Mr. Speaker, this creates two very real and serious problems for Hawaii. One, we send billions and billions of dollars to other states and nations. This is good for their economies and terrible for our economy. Two, we depend upon the daily shipment of food and petroleum products to sustain our ability to survive.

"Mr. Speaker, House Bill 1271, known as the 'Barrel Tax' bill stops the talking and creates action. We have expanded a tax on each barrel of petroleum products sold by distributors. This will generate over \$30 million of special fund revenue each year. This action creates a funding source that will promote the development of local food and energy businesses. A funding source that will be used to obtain matching federal funds for food and energy development programs. A funding source to staff and operate our State's energy division. A funding source desperately needed to fix our agricultural infrastructure.

"Mr. Speaker, this bill establishes for two years, the Hawaii Economic Development Task Force. This task force is made up by members from all counties and it will be used to accelerate public and private efforts to make Hawaii energy and food self-sufficient. Task force action that is consistent with the Hawaii 2050 sustainability plan and the Hawaii Clean Energy Initiative.

"Mr. Speaker, I believe that this bill will change the economic direction of our State. When we are self-sufficient, we will retain billions and billions of dollars within our islands. The money and jobs will stay within

our economy. We will be able to survive a worldwide event that stops shipments to Hawaii.

"Mr. Speaker and colleagues, I ask for your support on House Bill 1271. Thank you."

Representative Tsuji rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in strong support. Mr. Speaker, please allow me to begin with some very pertinent quotes. 'Together, we will meet both our near-term and long-term obligations, by making those decisions necessary to navigate through the turbulence of the current fiscal crisis, and achieve our preferred future. That future includes energy independence, increased food self-sufficiency, and 21st century infrastructure that supports existing and emerging industries.'

"The quote continues, if I may, 'A key area where we must bring innovation to bear is ending our overreliance on imported foreign oil. Increasing our food self-sufficiency will contribute to the State's economic recovery by keeping more of our money at home.' The quote continues, 'If we replace just 10% of the food we currently import, it would create more than \$300 million in economic activity, generate \$6 million in taxes, and create 2,300 new jobs.'

"Does this sound familiar? Mr. Speaker, these comments are a part of the State of the State Address delivered before this Body on January 26, by our Governor. What are we waiting for? We're not. Mr. Speaker, this is exactly what this bill addresses. Carefully crafted and nurtured by our Representative from the 14th District on Kauai. Stop talking. This fills the tank and tills the soil, if I may say, amounting to a mere few pennies for a gallon at the pump. And however objectionable the levy may seem to some, it must be stressed that money collected will establish not only stable, but also sustained funding source for Hawaii's energy and food security needs.

"Further, this bill also ensures accountability. In part, 35 cents of the tax on each barrel shall be deposited into the Agricultural Development and Food Security Special Fund. The Department of Agriculture is tasked with reporting to the Legislature regarding programs and activities that are funded. Specific objectives of expenditures and measurable outcomes.

"Agricultural funds shall be directed towards, but not limited to, battling varroa mites, other pest control and eradication programs, food safety and security programs, livestock revitalization, repairs for construction of waterways and distribution systems. All these are so vital, Mr. Speaker, to agricultural sustainability and security. I might also add and stress that these waterway projects are collaborated with federal matching funds.

"Mr. Speaker, this bill is broad, and a very bold step in detaching us from too heavy reliance on imported sources of foods and fuel. Clearly, this bill directs us with a very important task to realize that together we will take on the responsibility for future generations. Let us ensure that this bill, as an Act, shall take effect on July 1, 2009. Mahalo, Mr. Speaker."

Representative Morita rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I rise in support. Thank you. When we passed the 'Bottle Bill' in 2002, Speaker Calvin Say looked at me, and he said, 'This one is for the children.'

"Mr. Speaker, I truly appreciate the support that I received from this Body's leadership, my Committee Co-Chairs and my Conference Committee members, because this bill is a really big one. We act on this measure, not only for Hawaii's children, but for all children throughout the world. This dedicated tax is an investment to make Hawaii the model for energy and food sustainability, which the world can look to. Achieving energy and food security for Hawaii is a long term strategy, which takes resources for implementation. We can talk all we want about our desire to achieve energy and food security. But, as my trusty Vice Chair, the Representative from Kona pointed out, without dedicated funding, it will just be all talk and no action.

"New York Times columnist Thomas Friedman sums up our situation pretty succinctly in his latest book, *Hot, Flat, and Crowded: Why We Need a Green Revolution and How It Can Renew America*. Let me paraphrase what he says:

'Unfortunately, up to now, we have been trying to solve the problems caused by the dirty fuel system, piece meal, one at time, instead of trying to create a new system to replace it. The result has been that as we try to fix one problem, we end up creating or exacerbating another. We need a whole new system for powering our economy. The only way America will remain a big power and a big player in the global system, is if it is big in big things. There will be no bigger undertaking in the world we are heading into than the production of clean power, energy-efficiency, and the protection of our plant, forest, and animal heritage. Green is the new red, white, and blue.'

"Mr. Speaker, whether this Body realizes it or not, our journey began and got to this point almost 40 years ago. In 1970, at the Governor's Conference in the Year of 2000, a Hawaiian woman named Pilahi Paki spoke spontaneously to a room filled with community, educational and legislative leaders. Eloquently and simply, she told them that Aloha, her ancestral legacy, is meant to be shared. And, she said, 'Aloha is a coordination of mind and heart. It's within the individual. It brings you down to yourself. You must think and emote good feelings to others.'

"Prophetically, Kupuna Paki told attendees, 'In the next millennium, the world will turn to Hawaii in its search for world peace, because Hawaii has the key, and that key is Aloha.' Kupuna Paki passed away in 1985, however, her legacy still exists. Acting upon her message, the 'Aloha Spirit Law' was passed in 1986, as a model law for the rest of the world. It can serve the greatest number for the greatest good. And, the world is in dire need to experience Aloha, and how to learn to apply Aloha in our daily lives. And, now we have a great ambassador of Aloha. And with all due respect to Kaniela, Danny Kaleikini, I meant the President of the United States.

"Respect for nature, universal human rights, economic justice, and a culture of peace. These are the kinds of values that we share, and these values can be embodied in a single word: Aloha. Aloha is the foundation of our community."

Representative Takumi rose to yield his time, and the Chair "so ordered."

Representative Morita continued, stating:

"Thank you. Mr. Speaker, one of the ways to achieve Aloha worldwide is through renewable energy. And let me try to explain this. In my view of the world, specifically from the perspective as Chair of the House Energy & Environmental Protection Committee, I see energy issues as a root problem contributing to disasters like September 11th, and both wars in Iraq and Afghanistan. Former CIA Director Jim Woolsey describes our national energy dilemma as malignant and malevolent. Malignant, because of the cancerous effects of climate change, and the effects of a weakening economy, and malevolent, as our over-dependency on Middle East oil feeds into Middle East regimes that condone terrorist ideologies.

"However, I also see energy that is renewable as an avenue to peace, thus placing us in Hawaii at a very critical juncture to become the premier destination site and demonstration site for clean energy systems and a model for the rest of the world. The energy industry is facing something that has already happened to the telecommunications industry, and with information technology. Decentralization and miniaturization. These same trends are happening in the energy sector. And the most significant change is how energy is generated and distributed, which can ultimately result in the decentralization of political power, affecting individuals, communities and countries. For example, today, with available energy technology and emerging technology, this decentralization is as small as a person or business to function completely independent from the electrical transmission grid and monopoly public utility.

"On a larger scale, in a fossil-fuel based economy, the current political power is as influential as countries that have fossil fuel resources, such as

the members of OPEC, over those countries that are dependent on imported fossil fuels for electricity and transportation needs, like the United States, Japan, and many European countries.

"However, with renewable energy, the balance of power has the potential to shift or become neutralized, because unlike fossil fuels, some form of renewable energy can be found in most parts of the world. So, there's no doubt that renewable energy and emerging technologies are a major threat to the way current oil-rich countries and multinational corporations function economically and politically. But, unfortunately, the quest for power, both in an energy sense and a political sense, leave many people behind. And those left behind are the incubators of discontent that jeopardize not only our efforts for peace and quality of life, but also assurances for a clean and healthy planet.

"Through renewable resources and advancement in sustainable technologies, there are few reasons why all areas of the world cannot improve their standard of living. I see this improvement as clean fuel for cooking or heating needs to improve indoor air quality, rather than scouring for pieces of manure, coal, or wood to burn. Rather than cutting down stands of vegetation for fuel which could lead to soil erosion and threaten watershed recharge areas, time could be better spent more productively towards sustainable cultivation. And rather than hauling water in containers, providing water pumping and delivery systems, and hopefully indoor plumbing systems, as well as water for purification, sewage treatment and solid waste disposal, for providing sanitary conditions. Therefore, renewable energy is a pathway to peace, and we can be the model.

"Mr. Speaker and colleagues, this bill symbolizes a monumental opportunity for Hawaii. For those concerned about the impacts to our Hawaii families, I urge that the focus be put on how this tax can be offset through energy efficiency measures. Or perhaps, next year we can look at tax credits to help offset those families in need.

"For those wondering about the nexus between a barrel of oil and food, I urge them to read *The Omnivore's Dilemma* by Michael Pollan. This bill symbolizes and works towards an investment in the future for our children and grandchildren, for a peaceful, healthy, and prosperous world. I urge my colleagues' full support, and hope you're all prepared to override the Governor's threatened veto on this measure. Thank you."

Representative Finnegan rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. I just have short comments in opposition. Mr. Speaker, yes, I am in opposition, but I'll make the comments very quick. I think we can all agree, I think on both sides of the Legislature, the House and the Senate, as well as the Governor's office, that our goals are the same in regards to renewable energy. We've all agreed that that is very important to Hawaii. The Governor had moved forward with the HCEI, I believe it was last year. She took a partnership that was created through her doing, with the U.S. Department of Energy, and created what was 20% in renewable energy in 2020, and gave us a vision of 70% by 2030.

"With that commitment, she came, I believe with HCEI, to this Legislature and asked for support. I look at this and I think this is a really good and clever tactic, to be able to put a barrel tax included in the same bill that has the funding for Ted Peck, who is in charge of the HCEI, because what that does is it makes it very difficult for one of her number one issues that she's tried to help with in her time as Governor, and put it in this bill to make sure that, or give it the best possible chance of living.

"The difficulty that I have with this particular bill is, even though we talk about it being \$30 million, and that's \$30 million of more dollars in transportation costs for our citizens. That's a 2,000% increase, Mr. Speaker, from what we're paying right now. I just wanted to put into comparison that there was another big issue, a visionary issue that the Governor had put forward, and that was DLNR's Recreational Renaissance that was in the Majority Package, Mr. Speaker. That had, I believe 2,000 plus jobs in response to something that was said on the Floor about this one being a job generation ..."

The Chair addressed Representative Finnegan, stating:

"Representative Finnegan, could you confine your remarks to the content of the bill? I think everybody's getting hungry right now, but please proceed."

Representative Finnegan continued, stating:

"I'm sorry, Mr. Speaker. I was just responding to the job creation issue. I just wanted to throw some of those things into our comments about this 2,000% increase. Thank you."

Representative Wooley rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Wooley's written remarks are as follows:

"I want to thank the Chair and Vice Chair of the Energy and Environment Committee, the Vice Chair for Economic Revitalization, Business and Military Affairs, the Chairs of Agriculture and Finance, and the Speaker and his staff for all their work on this bill. This bill will prepare the State of Hawaii for the future more than any other bill I've seen this Session.

"Right now, Hawaii, our island state, is vulnerable because we are so utterly dependent on imported foreign oil for our energy, and our food. As the price of oil fluctuates, we suffer – not just as individuals, but our whole economy suffers. Our dependency also means we face serious food and energy security risks.

"HB 1271 is a bill that will reduce our dependence on oil and increase our food and energy security. It will help our economy by stimulating renewable energy industries and agriculture, supporting investment in infrastructure needs for energy and agricultural businesses, and reducing our vulnerability to volatile prices and supplies.

"Not only will this bill provide us with all these benefits, it will also help us redress a market problem. Oil companies have enjoyed government handouts and monopoly power by importing and processing foreign oil for a long time. And while the industry, acting as a monopoly, has been making extreme and record profits, consumers and local businesses have been paying the highest prices ever for their energy. I believe it's time for the oil companies, other businesses, and the people of Hawaii to invest in renewable energy, promote economic diversity and profits in our local economy, and eliminate the stranglehold of foreign oil.

"In addition to all this, this bill fits in with bigger policy goals to protect the environment, reduce our contributions to global warming, and allow us to grow and eat more local food."

Representative Ching rose to speak in opposition to the measure, stating:

"Thank you. In opposition with written comments, and I ask that in my comments, I incorporate the words of the Representative from Kauai," and the Chair "so ordered."

Representative Ching's written remarks are as follows:

"Thank you, Mr. Speaker. I stand in opposition to H.B. 1271 - Relating to Government. While I am very supportive of the health, energy and food security aspects of this bill, I cannot support the tax on our residents.

"The proposed bill establishes a taskforce to review and investigate a broad range of energy and food security issues and develop an integrated energy and food policy and increases the environmental response tax from five cents to \$1.05 per barrel or fractional part of a barrel of petroleum product.

"This legislation is representative of one of the largest tax increases we have seen this Session this tax is highly regressive and will impact all of Hawaii's residents and businesses. By increasing the tax on a barrel of oil, this measure has the potential to slow the economy down even further due to our states reliance on fuel for transportation. The Tax Foundation of

Hawaii stated, 'Because the tax is imposed at the front end of the product chain, the final consumer does not know that the higher cost of the product is due to the tax. Thus, there is little, if any, accountability between the lawmakers who enacted the tax and the vast majority of the public that end up paying the tax albeit indirectly. Proponents ought to be ashamed that they are promoting a less than transparent tax increase in the burden on families all in the name of environmental protection and food security.'

"It is my belief that during a time when our nation and State are in economic uncertainty we must be careful and cautious with the bills we pass. Thank you."

At this time, Representative Tokioka called for the previous question.

Representative Chong rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In support. I ask that the words of the Representative from Kauai be added as if they were my own. And also, just a quick rebuttal on the issue of the 2,000% increase kind of creates ..."

Representative Finnegan rose, stating:

"Mr. Speaker, what's your decision on calling for the question?"

The Chair responded, stating:

"I'm letting Representative Chong speak. So, you can sit down right now. Representative Chong has the Floor."

Representative Finnegan: "I understand that, Mr. Speaker, but I'm just going by previous comments about not allowing for additional ..."

Representative Chong: "I believe I have the Floor."

Representative Finnegan: "Mr. Speaker, recess, please."

Vice Speaker Magaoo: "I'm not calling recess right now. Right now, I gave you the opportunity to provide your written comments in support or not. The Representative from Kauai called for the question. I didn't acknowledge it, so I'm asking Representative Pono Chong to stand. Please proceed."

Representative Chong continued, stating:

"Thank you, Mr. Speaker. And so the 2,000% makes it seem like a huge increase. This will end up being a little more than 2 cents per gallon. Secondly, it's something that will help us invest in our own economy, versus shipping billions of dollars away to the Middle East. Thank you."

Representative B. Oshiro rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative B. Oshiro's written remarks are as follows:

"House Bill 1271 is landmark legislation, both in scope and scale. With the passage of this measure, the State is taking a firm, committed step forward in making Hawaii energy independent. Equally as important, is the commitment to investing in our local farm and ranch industry by encouraging and enabling projects that will repair and improve water systems, support farmers in diversified agriculture, and generally invest more in local agriculture enterprises to make them sustainable, accessible, and productive.

"Accomplishing these goals cannot take place, however, without a degree of investment. As a result, the Legislature took a bold step and increased the barrel tax on each barrel of petroleum coming into the State. The impact of this measure on the consumer will be modest – probably \$.2/gallon. The result will be nearly \$31 million specifically designated for renewable energy and food security projects.

"Consider that last year, each and every resident, every man, woman, and child in the State on average paid close to \$2000 in energy costs; that

equates to \$8000 for a family of four. Nearly 50 million gallons of oil are imported annually at a cost of \$3.5 billion a year - all of that money was sent out of State. With HB 1271, we are investing in local, sustainable, energy and creating green-collar jobs.

"Recently the Governor's policy advisor stated (May 3, *Honolulu Advertiser*) that the Administration, 'opposes any measure that increases the cost of living for Hawai'i residents.' What the Administration fails to understand is that Hawaii residents will pay more in the long term if we are solely dependent on fossil fuel for our energy. Likewise, carbon dioxide produced from fossil fuel is linked to rising temperatures on Earth, and the associated rise of ocean levels. For Hawaii this means losing more of our already shrinking shoreline and higher costs for land and housing in the future. In short, we either plan now, or we pay later.

"The goals this measure seeks to meet are not small – they will take the shared commitment of government, business, and community.

"I commend the Conferees who produced the final version of this bill and look forward to seeing its purpose realized."

Representative M. Lee rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative M. Lee's written remarks are as follows:

"Mr. Speaker, the Governor has said she supports clean, renewable and secure energy, but is opposed to this barrel tax because, "raising consumer costs a few pennies per gallon at the pump is too much."

"What about the estimated \$2,100 lost to each person last year when oil spiked over \$100 a barrel? Those energy costs were exported from the pockets of Hawai'i's residents straight out of State.

"It's estimated that we spent eight billion, six hundred million dollars on energy and food imports last year alone. 95% of our fuel needs and approximately 85% of our food comes from outside.

"Without major infrastructure investments for energy and food security, and without a dedicated revenue stream to make it happen, Sustainability in 2050 will just be a dream.

"Mr. Speaker, we have to wake up.

"Billions in federal funds are waiting to be leveraged by State dollars from this barrel tax, especially for energy security.

"As the *Advertiser* opined on May 4, 2009, "This is one modest increase that the governor should not veto... It deserves support across the board."

"Let's have the commitment and political will to pass this bill and override a veto, if necessary. Thank you."

Representative Luke rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Luke's written remarks are as follows:

"Mr. Speaker. I rise in support of HB1271 HD3 SD2 CD1. This bill is the result of the extraordinary work by the Chair of the Energy and Environmental Protection Committee, the good Representative from Kauai. Her vision of a more sustainable Hawaii simply makes good sense and sound public policy. Ensuring our energy and food security helps to lay the foundation for reducing our dependence on outside forces and invests in our people and our State. This bill is our commitment to ensuring that future generations will live in a better Hawaii. Thank you."

Representative M. Oshiro rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative M. Oshiro's written remarks are as follows:

"Mr. Speaker, I rise to speak in favor of House Bill No. 1271, House Draft 3, Senate Draft 2, Conference Draft 1, Relating To Government.

"This bill establishes a clean energy initiative to manage the State's transition to a clean energy economy by:

- Creating an agricultural development and food security special fund to fund activities intended to increase agricultural production and processing that may lead to reduced importation of food, fodder, or feed from outside the State; and
- Establishing a Renewable Energy Branch within the Department of Business, Economic Development and Tourism, to coordinate and promote renewable energy initiatives.

"From a fiscal standpoint, this measure specifically renames the "Environmental Response Tax" the "Environmental Response, Energy, and Food Security Tax", and raises the tax from five cents per barrel to \$1.05 per barrel to fund environmental response, renewable energy, agricultural development, and food security programs throughout the State.

"At the outset, let me state that this is indeed a bold initiative that places the State of Hawaii at the forefront of renewable energy and sustainability programs in our Nation. We make clear that from a public policy standpoint, we must reduce our dependence on fossil fuels and look for creative ways to fund our energy programs.

"Let me also be one of the first to congratulate the Chairs of the Committees on Energy and Environmental Protection and Agriculture for their hard work on this bill. Their collaboration was key to working out an agreement in the final hours of Conference before the Final Decking Deadline last Friday night. If it weren't for their willingness to compromise and their patience with the Finance Committee in making all the numbers work out, we would not be voting on this measure today.

"Hawaii's economic, environmental, and energy security needs demand that we reduce the amount of fuel imported and consumed in Hawaii. Imposing a fee on fossil fuel consumption, where oil prices are currently low, and investing this money into increasing the development of clean, renewable energy makes long-term economic sense.

"This legislation gives Hawaii the ability to turn two of Hawaii's biggest problems and threats to Hawaii citizen into two of Hawaii's most significant new opportunities. Today, there can be no more vulnerable place on earth than Hawaii with 100% imported oil and 85% imported food dependency. Hawaii now imports 100% of our oil, 33% for electricity production, 33% for ground and marine transportation, and 33% for aviation.

"While there are very real concerns that this measure may impact inflation, especially on the Neighbor Islands which consume more gasoline for the transportation of necessary goods and services than in urban Oahu, experts have told us that the per gallon impact on gasoline is marginal at best -- roughly 3 cents per gallon at most. Furthermore, should the price of oil rise, the tax can be adjusted at a later time to minimize the negative impacts this measure may have on the consuming public.

"Be that as it may, I strongly support this measure. It is time for this House and our State to take a bold step toward self-sufficiency, and this measure give us the tools to do just that.

"For these reasons, I respectfully urge my colleagues to support this important measure. Thank you."

Representative Ward rose in opposition to the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Ward's written remarks are as follows:

"This is a good bill but, untimely in the tax increase section. It establishes a taskforce to review and investigate a broad range of energy and food security issues and develop an integrated energy and food policy

and increases the environmental response tax from five cents to \$1 per barrel or fractional part of a barrel of petroleum product.

"It also makes various amendments, establishes various initiatives, and appropriates funds to promote economic development for local food and energy businesses, ensure Hawaii is energy and food self-sufficient and sustainable to the maximum extent feasible, and help Hawaii's natural resources and humankind adapt and be resilient to the inevitable challenges brought on by climate change.

"It establishes a taskforce to review and investigate a broad range of energy and food security issues and develop an integrated energy and food policy and increases the environmental response tax from five cents to \$1.05 per barrel or fractional part of a barrel of petroleum product. Allocates an unspecified amount of the tax on each barrel to the Food Security Special Fund.

"Deposits the following in to the Food Security Special Fund:

- Portion of the Environmental Response, Energy, and food Security Tax specified in the Environmental Response Tax Uses;
- Any appropriation by the Legislature into the Special Fund;
- Any grant or donation made to the Special Fund; and
- Any interest earned on the balance of the Special Fund.

"The funds may be expended for:

- Awarding of grants to farmers for agricultural production or processing;
- Acquisition of real property for agricultural production or processing;
- Improvement of real property, irrigation systems, and transportation networks necessary to promote agricultural production or processing;
- Purchase of equipment necessary for agricultural production or processing activity;
- Conduct of research on and testing of agricultural products and markets;
- Promotion and marketing of agricultural products grown or raised in the State; and
- Any other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the State.

"Best of all, it establishes the Hawaii Clean Energy Initiative Program within DBEDT, and appropriates \$393,518 for each of the next two fiscal years for the program and establishes the renewable energy branch within DBEDT. Changes the renewable energy facilitator from a full-time temporary position to a full-time permanent position. Appropriates \$119,280 for position. Establishes an energy program administrator, a full-time exempt position, and 7 full-time temporary positions to support the program. Appropriates \$130,000 for the position, and \$393,518 for the 7 positions. Appropriates \$200,000 for the greenhouse gas emissions reduction taskforce."

Representative Pine rose and asked that the Clerk record a no vote for her, and the Chair "so ordered."

Representative Berg rose in support of the measure and asked that the remarks of Representative Morita be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative C. Lee rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in strong support."

Representative Belatii rose to speak in support of the measure, stating:

"Mr. Speaker, I stand in strong support."

Representative Thielen rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Thielen written remarks are as follows:

"While I support House Bill 1271, I do so reluctantly because of the barrel tax. We could have funded the Hawaii Clean Energy Initiative and the Renewable Energy Branch using Federal Stimulus Funds, or through the budget. HB 1271 places the Hawaii Clean Energy Initiative's provisions into law. It creates and funds the position of energy program administrator within DBEDT, as well as seven positions to support the planning and renewable energy provisions of chapters 196, 201, and 226, Hawaii Revised Statutes. These positions are crucial to meeting the goals set forth in the Hawaii Clean Energy Initiative. These are good steps which are necessary to ensure that we can meet the HCEI goals.

"I have consistently been a vigorous advocate for renewable energy in Hawaii. However, I find it very difficult to support yet another tax increase on our residents, so I reluctantly vote yes on House Bill 1271."

Representative McKelvey rose in support of the measure and asked that the remarks of Representative Chong be entered into the Journal as his own, and the Chair "so ordered." (By reference only.)

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and H.B. No. 1271, HD 3, SD 2, CD 1, entitled: "A BILL FOR AN ACT RELATING TO GOVERNMENT," passed Final Reading by a vote of 43 ayes to 6 noes, with Representatives Brower, Ching, Finnegan, Marumoto, Pine and Ward voting no, and with Representatives Bertram and Takai being excused.

H.B. No. 1016, HD 2, SD 1, CD 2:

Representative B. Oshiro moved that H.B. No. 1016, HD 2, SD 1, CD 2, pass Final Reading, seconded by Representative Evans

Representative Keith-Agaran rose to disclose a potential conflict of interest, stating:

"Mr. Speaker, I would request to be excused from voting on this bill. My law partnership represents three of the claimants and three of the claims receiving appropriations in the bill," and the Chair ruled, "You are excused."

The motion was put to vote by the Chair and carried, and H.B. No. 1016, HD 2, SD 1, CD 2, entitled: "A BILL FOR AN ACT MAKING APPROPRIATIONS FOR CLAIMS AGAINST THE STATE, ITS OFFICERS, OR ITS EMPLOYEES," passed Final Reading by a vote of 48 ayes, with Representatives Bertram, Keith-Agaran and Takai being excused.

H.B. No. 876, HD 1, SD 2, CD 2:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, H.B. No. 876, HD 1, SD 2, CD 2, entitled: "A BILL FOR AN ACT RELATING TO CONDOMINIUMS," passed Final Reading by a vote of 49 ayes, with Representatives Bertram and Takai being excused.

H.B. No. 128, HD 1, SD 1, CD 2:

By unanimous consent, action was deferred to the end of the calendar.

At 2:12 o'clock p.m., the Chair noted that the following bills passed Final Reading:

H.B. No. 989, HD 1, SD 2, CD 1
 H.B. No. 1271, HD 3, SD 2, CD 1
 H.B. No. 1016, HD 2, SD 1, CD 2
 H.B. No. 876, HD 1, SD 2, CD 2

LATE INTRODUCTION

The following late introduction was made to the Members of the House:

Representative Finnegan introduced owner-employees from the Aqua Hotels and Resorts, including Chairman, Mr. Michael Paulin.

At 2:13 o'clock p.m. the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 3:15 o'clock p.m.

UNFINISHED BUSINESS

S.B. No. 892, SD 1, HD 2, CD 2:

On motion my Representative B. Oshiro, seconded by Representative Evans and carried, S.B. No. 892, SD 1, HD 2, CD 2, entitled: "A BILL FOR AN ACT RELATING TO INSURANCE," passed Final Reading by a vote of 47 ayes, with Representatives Bertram, Finnegan, Takai and Thielen being excused.

S.B. No. 1222, SD 1, HD 1, CD 2:

On motion my Representative B. Oshiro, seconded by Representative Evans and carried, S.B. No. 1222, SD 1, HD 1, CD 2, entitled: "A BILL FOR AN ACT RELATING TO THE HUMANE TREATMENT OF PET ANIMALS," passed Final Reading by a vote of 47 ayes, with Representatives Bertram, Finnegan, Takai and Thielen being excused.

S.B. No. 464, SD 2, HD 2, CD 2:

On motion my Representative B. Oshiro, seconded by Representative Evans and carried, S.B. No. 464, SD 2, HD 2, CD 2, entitled: "A BILL FOR AN ACT RELATING TO TAXATION," passed Final Reading by a vote of 47 ayes, with Representatives Bertram, Finnegan, Takai and Thielen being excused.

S.B. No. 1461, SD 2, HD 1, CD 2:

Representative B. Oshiro moved that S.B. No. 1461, SD 2, HD 1, CD 2, pass Final Reading, seconded by Representative Evans.

Representative McKelvey rose to speak in opposition to the measure, stating:

"Thank you very much, Mr. Speaker. In opposition, and just real quickly, I have no problem with the contents of the other bill that has been inserted into this one, but I've always had a problem with the underlying bill. So I will be voting against this measure. Thank you."

At 3:17 o'clock p.m. Representative Souki requested a recess and the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 3:18 o'clock p.m.

Representative McKelvey rose, stating:

"Again, Mr. Speaker, I support the provisions of HB 1404 that have been inserted into this. Let me make that clear. My problem with the bill is the remainder of it, which I have opposed through the entire Session. Thank you."

Representative Manahan rose to speak in support of the measure, stating:

"I'm standing in support. I just wanted to remind everyone that the Floor Amendment that we adopted on this bill for House Bill 1404 includes a general excise tax exemption, something to the tune of about \$3.4 million, precisely for the hotel industry. If there's any question about whether we do support or do not support them, I think this bill proves it. This provides them a \$3.4 million relief from general funds, and has been for the past two years. This is going on its third year. Thank you."

Representative Cabanilla rose to speak in opposition to the measure, stating:

"Mr. Speaker, I am in opposition, or I was in opposition of H.B. 1404, the extension of general excise tax to other companies, and I think this is the wrong time to be doing that. I think we should be downsizing. I'm now in opposition, because of the language in here. Thank you."

Representative Ching rose in opposition to the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Ching's written remarks are as follows:

"Thank you, Mr. Speaker. I rise in opposition to S.B. 1461 – Relating to Taxation. This bill advances date of filing of monthly, quarterly, and semi-annual general excise tax returns from the last day of the calendar, quarterly, or semi-annual month to the 20th day. It is my concern that this bill might have a negative impact on small business.

"In these economic times we need to make things easier for small businesses, not harder. The Retail Merchants of Hawaii stated in their testimony, 'Of great concern is that accelerating the filing and payment due dates most surely will have a negative impact on our hundreds of small businesses.' Thank you."

Representative M. Lee rose in support of the measure and asked that her written remarks be inserted in the Journal, and the Chair "so ordered."

Representative M. Lee's written remarks are as follows:

"In support of SB1461, SD2, HD1, CD1

"The purpose of this bill is to advance the filing and payment of monthly General Excise Taxes that are due to an earlier date in the month following accrual in order to generate a one-time windfall revenue for the State. In Conference, this was extended to quarterly and semi-annual filing and payment of general excise taxes.

"This will help us with our revenue shortfall and should cause no more than a small inconvenience for filers. In our present fiscal situation, there is a need to be creative, and this measure is a positive action towards a balanced budget."

Representative Pine rose to speak in opposition to the measure, stating:

"In opposition, and I would like to use the written comments of the Representative of Liliha as my own," and the Chair "so ordered." (By reference only.)

Representative Tokioka rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In strong support. Just a brief comment to say that when the visitor industry, the timeshare portion of it came to ask for help, that this Body did respond. Mahalo."

The motion was put to vote by the Chair and carried, and S.B. No. 1461, SD 2, HD 1, CD 2, entitled: "A BILL FOR AN ACT RELATING TO TAXATION," passed Final Reading by a vote of 32 ayes, with Representatives Belatti, Berg, Brower, Cabanilla, Ching, Hanohano, Keith-Agaran, C. Lee, Luke, Marumoto, McKelvey, Pine, Saiki, Ward and Wooley voting no, and with Representatives Bertram, Finnegan, Takai and Thielen being excused.

S.B. No. 387, SD 1, HD 1, CD 2:

Representative B. Oshiro moved that S.B. No. 387, SD 1, HD 1, CD 2, pass Final Reading, seconded by Representative Evans.

Representative Souki rose to speak in opposition to the measure, stating:

"I'm in opposition to Senate Bill 387. I'm in opposition because this bill provides for the shredding of DBEDT and transfers to different departments. I don't believe we gave this much thought. It provides for

NELHA to go to DAGS. NELHA and the University of Hawaii are a natural nexus, because both deal in research. DAGS doesn't deal in research at all. Maintenance is their *forte*, and if things weren't done at NELHA, it was because they didn't have the sufficient resources and funding. Also, you have half of the tourism staff and planning staff going to HTA. The other half remains. It creates a little problem there. You have many other changes like that, and if you take the time to look at it, it was in HB No. 1260, and now in SB No. 387.

"Again, it was kind of a precedent breaking. Of course, we always break precedent. The fact that you shred a department after only going through one Committee, rather than going through the hearings from the subject matter Committee or the respective Committees, that's how it's normally done. In fact, normally when you shred and you change, and when you dissolve basically a department, you do it usually over a period of years. And, for this reason, I think we were a little too hasty in doing this. I'm not saying that some of the ideas were not good, but I think it was done too rapidly. I would like more time to look at it again, so we can begin to look at it more comprehensively, and not just one Committee looking at it. Thank you."

Representative Thielen rose to speak in opposition to the measure, stating:

"Thank you. Mr. Speaker, I would like to adopt the words of the Speaker Emeritus as if they were my own. I think he has the wisdom, the experience and the knowledge, and I think what he said is absolutely correct. Thank you. I'm voting 'no' also, along with Speaker Emeritus. Thank you," and the Chair "so ordered." (By reference only.)

Representative Ching rose in opposition to the measure and asked that the remarks of Representative Souki be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative Marumoto rose in opposition to the measure and asked that the remarks of Representative Souki be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative Finnegan rose in opposition to the measure and asked that the remarks of Representative Souki be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative Ward rose to speak in opposition to the measure, stating:

"Mr. Speaker, in opposition, and if there's enough opportunity to still get in the family of adoption, I would join with my colleagues," and the Chair "so ordered." (By reference only.)

Representative Takumi rose to speak in opposition to the measure, stating:

"Thank you very much, Mr. Speaker. In opposition. And, as others have done, I'd like to request the words of the Representative from Maui to be adopted as my own into the Journal. And, as was mentioned earlier about the Department of Business, Economic Development, and Tourism, as a department I call, 'DBEDT and breakfast' actually.

"I just think with this Department, when you take out the 'T,' as they say, or in my case, you take out the 'bed and breakfast' portion of that Department, it makes no sense to me. It seems to me if we're going to do that, it has to be done in a way that's thoughtful, and you discern whether or not you can get greater efficacy or effectiveness or cost savings. I just don't see this in this bill. It seems to me this was kind of put together, almost as if when you dress in the dark, and you just hope your clothes match. I just don't know why we're going forward with a bill like this that in my book is very clumsy policy making at best. And, I hate to say it, but it seems vindictive at worst. Thank you, Mr. Speaker."

Representative Belatti rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. In opposition, and this must be a historic day, because may I have the words of the Representative from Wailuku, and the

Representative from Pearl City entered as my own. Thank you," and the Chair "so ordered." (By reference only.)

Representative McKelvey rose to speak in opposition to the measure, stating:

"Mr. Speaker. I am in opposition and I would like the words of the Speaker from Wailuku entered into the record as if they were my own, and I'd like to add a few comments. This would have a devastating effect on the Island of Maui, vis-à-vis the much overdue Kahului Harbor project. Unlike Oahu and other islands, we only have one harbor, Mr. Speaker. That's it. All of our food, our medical supplies, everything comes in that one harbor. We need this harbor project desperately. If we don't have this, and something happens to that harbor, we are cut off. So, again, in opposition. Thank you."

Representative Evans rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in support. Yes, I respectfully disagree with some of my colleagues and their comments that these divisions within the Department of DBEDT, moving them to another department, where the discussions have not happened openly and publicly. I can say for NELHA, I can say for the Film Branch, and I haven't talked to the Chair of CPC, but I can tell you that over the years, for me personally with NELHA for the last 3 or 4 years, there's been bills introduced, there's been lots of discussion about where is the best fit for the Division. My understanding is that we have been talking about this amongst ourselves, these discussions about where is the best fit have been going on for several years.

"We all know that as we've been going through this year, there's been a lot of discussion about what's the mission and purpose, looking for efficiencies, looking for where's the best place to put programs. I think that's what our jobs are all about, is to have those discussions. I think we have had those. So, I think this is a good bill. Thank you."

Representative M. Oshiro rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in strong support of this bill, as amended. This bill would currently provide that the Governor or Director of Finance report each restriction to the Legislature, not later than 30 days after the end of each quarterly allotment period. This was brought about by our need to make sure that we're kept in the loop regarding any unappropriated funds, and the reason that these appropriations we have made are not released.

"The report shall contain at least the following: The name of the department affected, the specific Program ID, the reason for the restriction, and the impact of the restriction on the particular program. This is very important for us to monitor the expenditures by department, by Program ID during the interim, and I believe that the Committee Chairs will find this provision particularly useful, as we enter into next year's Supplemental Budget request, as an aid to prioritizing where we will be able to fund and place our limited funding.

"Pursuant to the Floor Amendment, the bill also transfers the Film Industry Branch of the Creative Industry Division, CID, to the Hawaii Tourism Authority. This is Donne Dawson and her team to the Hawaii Tourism Authority. The good news, Mr. Speaker, is that Donne has been speaking with Mike McCartney at the Tourism Authority, and they both are very excited about the possibilities that this opportunity provides. It transfers remaining Creative Industries Branch, the State Foundation of Culture and Arts, and that's Ron Yamakawa and they're also interested to see what kinds of synergies can occur in this area.

"Many of us have spoken about creative industries in Hawaii, and the artistic availabilities of our constituents, as an industry, arts as an industry, and this is a perfect opportunity to move that forward.

"But the third thing this bill does is it moves the Small Business Regulatory Review Board from DBEDT, to the Department of Commerce and Consumer Affairs. By doing that, you protect it from any general fund misallocation or reduction. The funds of the Department of Commerce

and Consumer Affairs will pay for the Small Business Regulatory Review Board.

"Number four, it moves the Natural Energy Lab of Hawaii Authority, NELHA, to DAGS, and again, Mr. Speaker, the reason being, since the 2006 October earthquake, that main artery of a pipeline, bringing cold water to the shores for the programs products, including bottled water, is in constant jeopardy. My understanding in speaking with Ron Baird, is that under the current Administration and oversight of DBEDT Director Ted Liu, the contracts have not been released and not been processed, and up to this date, none of the repairs have gone forward.

"Number five, it transfers the Tourism Liaison responsible to the Governor, to the Office of the Governor. This is a request that was also discussed with the Chair of the Tourism Committee.

"Finally, this measure protects the civil service status of the State's Energy Administrator, Mr. Ted Peck, as well as the current status of the personnel in the Film Industry Branch, again, Donne Dawson's shop in their transfer to Hawaii Tourism Authority.

"Mr. Speaker, I need to also point out that there are six positions from the Film Division moving to Hawaii Tourism Authority ..."

Representative Finnegan rose, stating:

"Mr. Speaker, I think his five minutes is up. Don't you think the speaker's five minutes is up too?"

The Chair responded, stating:

"No. His time is not up right now."

Representative Say rose, stating:

"Mr. Speaker, I'll yield my time."

Vice Speaker Magaoay: "His time is not up, Mr. Speaker. Please proceed."

Representative M. Oshiro continued, stating:

"Again, six positions from the Film Division transferred to the Hawaii Tourism Authority; six positions from Creative Industries Division transferred to the State Foundation of Culture and Arts; one position to the Department of Commerce and Consumer Affairs. This is a small Business Regulatory Review Board position. A NELHA position; we're only moving the ceiling. And, one position for the Tourism Authority.

"I think I need to point out, Mr. Speaker, there's been some discussion and concern regarding the Harbor Utilization Group, and the Harbors Modernization Plan. Members should know that as it pertains to Aloha Tower Development Corporation, when I spoke to Mike Formby the Deputy Director at Harbors, and I spoke to the Director, Brennan Morioka, they both raised to me a concern that this Administration had regarding the fact that Aloha Tower Development Corp has the direct oversight over all the contracts regarding the modernization of harbors.

"In checking with Georgina Kawamura, when she returned last week, she did raise the issue with me, and did disclose to me that in fact, the Administration had looked at transferring the functions and responsibilities currently held by the Aloha Tower Development Corporation back to the Department of Transportation. The reason for that, Mr. Speaker, was that there were some concerns by the bond-rating agencies and bond issuing authorities that because there was not a direct control of the funds by the Department of Transportation, that there were concerns regarding whether in fact the Aloha Tower Development Corp, with its standalone Board, could interfere and in fact supersede the wishes of the Department of Transportation Harbors Division in regards to the Harbor Modernization Program.

"But he also mentioned this to me, Mr. Speaker. That currently, given the lack of cargo and business in our harbors, the current Modernization

Plan may be pushed back and delayed until 2013. The reality being that given the slump in our national, international, and local economies, we have not seen as many cargo ships with goods coming into our ports. He did inform me that this summer they're going back out with tariffs fee structure for community input, consideration and public hearing, and hopefully that will get done sometime in the Fall, or early December. It is at that time they will know how much money they will be able to charge, and thereby how much money they will be able to float on these bonds.

"I want to ensure the membership that we will be watching what occurs there, at the Aloha Tower Development Corp. We want to work with their administration, we want to work with the Harbors Group, we want to work with the Board of Directors, and this is part of the process. Thank you."

Representative Souki rose to respond, stating:

"Mr. Speaker, I have had a call from Gary North who's in charge of HUGs, the Harbor Users' Group. He's very concerned about this change. They're very concerned about the discussion of putting this off. And, as far as getting bonding, they have never had any problem getting bonding in the past, and those things can be worked out. So, I understand where the Chairman is getting mixed messages, but I believe for the good of the State, that we should commence with the harbor improvements as soon as possible.

"Because the business is down, they don't have as much freight, it has an advantage to begin working right now on the harbors. Now, I want to make mention, there are some harbors in the State that're really in need of work right now. Not in 2013. They need to work today. Yesterday. Now, this is going to delay it. 2013 will probably be 2015. We'll never get this work done. And that's the reason I'm asking, and I believe that in all the good intentions of the Finance Committee, but they did not consider the ramifications of this action.

"In the case of Maui, we're going to need it right now. The cost of gasoline is high because the harbor is too shallow. You need to go there and begin going through the draining process. We don't have enough space for all of the containers. Neither do you have it here in Honolulu. You need to start work on them and make the space for the containers. This is not going to be done. They'll become dangerous for the workers, because you don't have enough space. There's not enough cover space, so you need to be getting the land, buying the land and demolishing the buildings so that they can begin to put all that space for all the containers for a growing State like we have.

"I believe that what we have done is an injustice. Thank you, very much."

Representative Thielen rose to respond, stating:

"Yes thank you, Mr. Speaker. Continuing in opposition. I'm sorry, I couldn't hear all of what Speaker Emeritus said because the taxpayers are cheering Governor Lingle as she vetoes our tax bills to raise the taxes ..."

The Chair addressed Representative Thielen, stating:

"Please restrict your comments to the bill before us."

Representative Thielen continued, stating:

"Assuming that I understood Speaker Emeritus, I strongly support his wisdom in this area. I support his decision to vote 'no' on this bill, and I think Members in this Chamber should think very seriously.

"This was a very flawed process. These changes did not go to the subject matter Committees, where they could be carefully decided and carefully heard. What happened was, there were some very questionable motives, and I know we're not allowed to talk about motives, but very questionable motives about the reorganization of this State Government.

"So, I do applaud Speaker Souki for having the courage and the wisdom to stand up and speak out and tell all of us we have really got to do a better

job and listen to the cheers upstairs. The Governor's doing a good job vetoing what we never should have passed, those tax increases."

At 3:38 o'clock p.m. Representative Ward requested a recess and the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 3:39 o'clock p.m.

At this time, Representative Ward moved to call for the previous question.

Representative B. Oshiro rose in opposition to the motion, stating:

"Mr. Speaker, I rise against that motion to call for the question. I think it's totally appropriate that we continue to debate this important issue ..."

Representative Thielen rose, stating:

"Mr. Speaker, I object to that, because you have called for the question on us all through this Session ..."

Representative B. Oshiro: "A point of order, Mr. Speaker ..."

Representative Thielen: "...and today, during this hearing, I object to that ..."

At 3:40 o'clock p.m. the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 3:41 o'clock p.m., with the Speaker presiding.

Representative B. Oshiro continued, stating:

"Mr. Speaker, just to continue, if the Minority would look at Section 358 of your *Mason's*, that would tell you how you call for the question. That is a procedural motion that needs to be addressed, and so I think it's totally appropriate that we continue to debate important policy, much to the chagrin of certain people who asked for a deal, for a 10 minute recess so that they could attend a rally upstairs. I think it's appropriate that we continue to debate bills. Thank you."

Representative Thielen rose, stating:

"Mr. Speaker, since he was impugning me on that ..."

The Chair addressed Representative Thielen, stating:

"Excuse me. Representative Thielen, you have not been recognized. I was going to recognize Representative Pine, so please be seated."

Representative Pine rose, stating:

"A point of information. But I first want to thank the previous speaker for educating all of us about the real policies of calling for the question. But shouldn't we have imposed those policies in all the previous calls to the question? Because we have not been ..."

Speaker Say: "If that was recognized by one of you when that particular call for the question was made."

Representative Pine: "Well, we did protest the call today."

Speaker Say: "And the Chair did not recognize that protest, okay?"

Representative Pine: "So you did not follow the procedures?"

Speaker Say: "Well, I do. I follow the tradition."

Representative Pine: "Only against Republicans."

Speaker Say: "No. No."

Representative Thielen rose, stating:

"Mr. Speaker, a point of clarification, please. When there was a call for the question before, and we tried to at least object to possibly have it put to a vote, we were not even permitted to do that. And, you all silenced our Minority Leader. So, now when you all want to continue the debate, you're saying, 'Okay, we'll stand up and we have the right to do this, because obviously we have the votes, you the Majority.' But, it was a very different standard and a very different procedure."

"I did not see the Majority Leader stand up and defend us as we were trying to go through the correct process. So, it's a very duel standard."

Representative Finnegan rose to speak in support of the motion, stating:

"Thank you, Mr. Speaker. I'd like to speak in opposition to the Majority Leader wanting to keep debating. Yes. Mr. Speaker, I speak in opposition because earlier in the day when we were talking about the budget, and the budget contained ..."

The Chair addressed Representative Finnegan stating:

"Representative Finnegan, that is a different issue. When the question was called, I did share with the Members of this House that those who wanted to submit written comments or rebuttals, would be given the opportunity. All of the Minority members did speak on the budget at that period in time, and some of you had the opportunity for second rebuttals."

"So, at that point, in clearing the slate in regards to House Bill 200, House Draft 1, Senate Draft 1, Conference Draft 1, that is the reason why I said those who would like to submit written comments on that particular measure, please do so. Anyone else?"

Representative Finnegan: "Let me just finish what I'm saying though, Mr. Speaker. I'm not clear then at this moment. I thought I was addressing the motion that stops debate. Yes, and that's what I'm addressing in my comments."

Speaker Say: "But earlier, you had the opportunity of rebutting that particular motion, and having debate continue. As the Chair of this Chamber ..."

Representative Finnegan: "And that's what I'm doing. Right now, I'm arguing against that motion. The premise on which I am arguing is that there are two bills that the same motion for calling the question came up on Floor today. One having to do with the budget, and then the bill that we're discussing right now."

"The bill that we're discussing right now is SB No. 387, and there was a call for the question. This bill, although it's a bill that has large consequences, it pales in comparison to the amount and the severity of the budget. And yet, this is my argument, Mr. Speaker, and yet that debate was stopped. And that's why I'm standing in opposition to the Majority Leader's motion of continuing debate."

Speaker Say: "Well, the Chair has ruled at this point in time that we can continue the debate. If the Minority wants to appeal the Chair's ruling, you may at this point in time. Any further discussion at this point in time?"

(Main Motion)

Representative M. Lee rose to speak in support of the measure, stating:

"Mr. Speaker, I'm rising in support. One of the things that I wanted to point out at some of the criticisms here have been that these matters were not discussed in Subject Matter Committee, and were not discussed in ..."

Representative Thielen: "Excuse me, Mr. Speaker. Is she for or against the ..."

Speaker Say: "Representative Thielen, she said for the record she was in support."

Representative Thielen: "I'm sorry, Mr. Speaker. Again, there's noise from upstairs from the taxpayers."

Representative M. Lee: "Thank you. Excuse me Representative, I didn't mean to shout across the aisle."

"It's a little hard to hear, but we've had a lot of allegations that the Subject Committee was not involved in discussions of some of these matters, but I do have a memorandum that is dated February 18th, 2009, and it's written to the Chair of the Committee on Finance, and it's from the Vice Chair of the Committee on Economic Revitalization, Business, and Military Affairs, and it's written on behalf of the Chair, Angus McKelvey. He says, if I might:

'We are presenting two scenarios for budget cuts to the BED Program Area, budget cut suggestions for LNR 172, Forestry Research Management and Development; DEF 110, Amelioration of Physical Disasters; and DEF 112, Services to Veterans.'

"These comments were provided to address the current budget shortfall for biennium years 2010 and 2011. And, I believe every Chair was asked to provide suggestions for how we could deal with the budget shortfall. So, here are the suggestions that came from the Committee, the Department of Business, Economic Development, and Tourism. Here are the scenarios suggested:

"The first scenario was a restructuring of the entire Department of Business, Economic Development, and Tourism. The purpose of this restructuring is to create a standalone department under the Executive Branch for Tourism, called a Department of Tourism. The details of this restructuring can be discussed with Representative Joey Manahan, Chair of the Committee on Tourism, Culture, and International Affairs.

"Another objective is to consolidate functions and achieve synergies, helpfully to cut cost of government. The consolidations suggested are as follows:

One, the Department of Transportation, Aloha Tower Development Corporation, Foreign Trade Division.

Two, the University of Hawaii. Under that is the Hawaii Community Development Authority, the National Energy Laboratory of Hawaii.

Three, the Department of Human Services. Under that, the Hawaii Housing Finance and Development Corporation.

Four, the Department of Commerce and Consumer Affairs. Under that, the Hawaii Strategic Development Corporation, Small Business Regulatory Review Boards, Hawaii Television and Film Development Board. And, there are three bracketed divisions that were mentioned under that: High Technology, HTDC, Strategic Marketing Support Division, Creative Industries Division, and they were to be absorbed into other attached agencies.

Five, the Department of Land and Natural Resources. Under that, the Land Use Commission Office of Planning.

Six, the Department of Taxation Research and Economic Analysis.

"And, further, the memo goes on to say,

'These considerations will eliminate functions which are duplicated. Another benefit is placing the one, the old EBT Division into DCCA, which would better utilize the special funding and focus the affairs of businesses under one department.'

Speaker Say: "Representative Marilyn Lee, your time has expired. Would you like to insert your comments into the Journal?"

Representative M. Lee: "That's okay. But if I could just say that I think this illustrates the point that these matters were discussed in our Committee proceedings."

At this time, Representative Brower called for the previous question.

Representative Marumoto: "Mr. Speaker, I would like to speak in opposition to this measure."

Speaker Say: "No. At this point, the question has been called on the vote. Representative Evans, please give the vote from the Majority. The question has been called."

The motion was put to vote by the Chair and carried, and S.B. No. 387, SD 1, HD 1, CD 2, entitled: "A BILL FOR AN ACT RELATING TO THE STATE BUDGET," passed Final Reading by a vote of 34 ayes, with Representatives Belatti, Berg, Ching, Coffman, Hanohano, Ito, Karamatsu, Marumoto, McKelvey, Pine, Souki, Takumi and Ward voting no, and with Representatives Bertram, Finnegan, Takai and Thielen being excused.

At 3:52 o'clock p.m., the Chair noted that the following bills passed Final Reading:

S.B. No. 892, SD 1, HD 2, CD 2
S.B. No. 1222, SD 1, HD 1, CD 2
S.B. No. 464, SD 2, HD 2, CD 2
S.B. No. 1461, SD 2, HD 1, CD 2
S.B. No. 387, SD 1, HD 1, CD 2

H.B. No. 754, HD 1, SD 1, CD 2:

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, H.B. No. 754, HD 1, SD 1, CD 2, entitled: "A BILL FOR AN ACT RELATING TO THE HAWAII TOURISM AUTHORITY," passed Final Reading by a vote of 42 ayes, with Representatives Ching, Hanohano, Marumoto, Pine and Ward voting no, and with Representatives Bertram, Finnegan, Takai and Thielen being excused.

At 3:53 o'clock p.m., the Chair noted that the following bill passed Final Reading:

H.B. No. 754, HD 1, SD 1, CD 2

FINAL READING

Representative B. Oshiro moved to agree to the amendments made by the Senate to the following House bill, seconded by Representative Evans.

H.B. No. 426, HD 1, (SD 1)

The motion was put to vote by the Chair and carried, and the House agreed to the amendments made by the Senate to the noted House bill. (Representatives Bertram and Takai were excused.)

The Chair addressed the Clerk who announced that the record of votes for said measure had been received, and that the requisite number of House Conferees appointed have cast affirmative votes to report said measure to the Floor.

H.B. No. 426, HD 1, SD 1:

In accordance with the Conference Committee Procedures agreed upon by the House of Representatives and the Senate, the managers on the part of the House recommended that the House agree to the amendments proposed by the Senate to H.B. No. 426, H.D. 1, on the following showing of Ayes and Noes:

Ayes, 2 (Morita and Coffman). Noes, none. Excused, 1 (Ching).

On motion by Representative B. Oshiro, seconded by Representative Evans and carried, H.B. No. 426, H.D. 1, S.D. 1, entitled: "A BILL FOR AN ACT RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST SEAWATER AIR CONDITIONING PROJECTS ON OAHU," passed Final Reading by a vote of 47 ayes, with Representatives Bertram, Pine, Takai and Ward being excused.

At 3:54 o'clock p.m., the Chair noted that the following bill passed Final Reading:

H.B. No. 426, HD 1, SD 1

UNFINISHED BUSINESS

H.B. No. 128, HD 1, SD 1, CD 2:

Representative B. Oshiro moved that H.B. No. 128, HD 1, SD 1, CD 2, pass Final Reading, seconded by Representative Evans.

At this time, Representative Berg offered Floor Amendment No. 16, amending H.B. No. 128, HD 1, SD 1, CD 2, as follows:

SECTION 1. H.B. No. 128, H.D. 1, S.D. 1, C.D. 2, RELATING TO ELECTIONS, is amended as follows:

1. By amending subsections (a) and (b) of section 11-FF in section 2 to read as follows:

"(a) It shall be unlawful for the person who enters into any contract with the State, any of its counties, or any department or agency thereof either for the rendition of personal services, the buying of property, or furnishing any material, supplies, or equipment to the State, any of its counties, department or agency thereof, or for selling any land or building to the State, any of its counties, or any department or agency thereof, if payment for the performance of the contract or payment for material, supplies, equipment, land, property, or building is to be made in whole or in part from funds appropriated by the legislative body, at any time between the execution of the contract through the completion of the contract, to:

- (1) Directly or indirectly make any contribution or to promise expressly or impliedly to make any contribution to any political party, committee, or candidate or to any person for any political purpose or use; or
- (2) Knowingly solicit any contribution from any person for any purpose during any period.

(b) This section does not prohibit or make unlawful the establishment or administration of, or the solicitation of contributions to, any separate segregated fund by any state or national bank, corporation, or labor organization for the purpose of influencing the nomination for election or the election of any person to office; provided that the commission shall by rule establish contribution limits for limited liability companies as defined in section 428-101, limited liability partnerships as defined in section 425-101, and limited liability limited partnerships as defined in section 425E-102. Sole proprietors subject to this section shall comply with applicable campaign contribution limits in section 11-HH(a)."

2. By amending section 11-II in section 2 to read as follows:

"§11-II Contributions to noncandidate committees; limits. (a) No person shall make contributions to a noncandidate committee in an aggregate amount greater than \$1,000 in an election. This section shall not apply to ballot issue committees.

(b) Notwithstanding section 11-II(a), a company contributing to the company's established noncandidate committee shall be limited to an aggregate amount of not more than \$1,000 in any two-year election period.

(c) A company that makes contributions and expenditures greater than \$1,000 in the aggregate in a two-year election period shall register a

noncandidate committee with the commission pursuant to section 11-I, and make contributions and expenditures through its noncandidate committee.

(d) For purposes of this section, "company" means a corporation, partnership, limited liability company, limited liability partnership, financial institution, or any other entity engaged in business."

Representative Berg moved that Floor Amendment No. 16 be adopted, and requested a roll call vote at the appropriate time, seconded by Representative Hanohano.

Representative Berg rose to speak in support of the proposed Floor Amendment, stating:

"Thank you, Mr. Speaker. And I appreciate the few minutes with our colleagues. I realize that it's a little bit unusual at this time of the Session to offer a Floor Amendment, particularly because if this Floor Amendment passes, it would halt the passage of this bill and would in fact, allow us to work on the details of HB 128 in a little more deliberate manner. I'm frankly quite surprised, as I shared with some colleagues, that this was coming up at this particular time. However, understanding the dynamics of our process, we are where we are.

"This Floor Amendment, Mr. Speaker, would clean up the confusion regarding corporate contributions, keeping it capped at a low \$1,000. It would restore the limitations on contributions from government contractors. Given the work that our Judiciary Committee has done, and all of our discussions in the past, I really urge our colleagues to consider this particular amendment, because the Campaign Spending Commission previously interpreted Hawaii law to require corporations to form PACs to make political contributions. They also interpreted the law to read that there would be a limit of \$1,000 in the amount of corporate treasury funds that could be deposited into a PAC.

"Two corporate donors challenged this law in 2000. The Maui Circuit Court ruled that the Hawaii law does not require corporations to form PACs, and so, as the Campaign Spending Commission has been requiring, the case is now in appeal in the Intermediate Court of Appeals. While the appeal is pending, and this is why this amendment is so important to pass, Mr. Speaker, is that the Campaign Spending Commission is not enforcing any corporate contribution laws or interpretations of what they believe we had intended by our passing laws. The Campaign Spending Commission, by not enforcing corporate contribution laws, is also not enforcing registration, reporting requirements, and now corporations are actually quite free to use unlimited amounts of corporate funds to contributions.

"Some have argued that we should just wait and let the courts decide, by waiting for the ICA to rule. The question of corporate contributions in campaign finance law is a policy call, Mr. Speaker, for us. Not for the courts. And, while we in the past have taken specific situations in which we wanted to intervene and intercede with the courts, I believe this is far too important for the citizens, and for our own peace of mind, and our own conscience and integrity that we should be the ones to resolve any confusion and ambiguity at this point, rather than allowing the courts to make the call. And, that could happen whenever.

"So, the three proposals in this amendment are forthcoming. One, most importantly to some of us is that it would continue the current ban on contributions from State and county contractors, whether the contracts are bid or not bid. We've had conversations in the past about the pay-to-play concept, and this would put a halt to that conversation and the need to have it.

"This Floor Amendment also would propose to limit to \$1,000 the amount of corporate treasury funds that corporations can deposit into their PACs during a two-year period. That's the ambiguity that the courts are trying to figure out.

"And, the third thing that this amendment would propose, is to require corporations to form a PAC from which they can make campaign contributions. Then they will be required to register and report, and not

only their own what they have done, but also contributions into and expenditures from the PAC.

"Again, I realize this is an awkward question to pose to our colleagues, but I really trust that we will look at what's right for us to do in the name of our constituents, and mostly to clarify for the Campaign Spending Commission, so that they can get on with the work that we entrust them to do. Thank you, Mr. Speaker."

Representative Choy rose to disclose a potential conflict of interest, stating:

"Mr. Speaker, I rise in opposition to this Floor Amendment, but first I would like to have a ruling on a potential conflict. I do non-bid contracts for the State," and the Chair ruled, "no conflict."

Representative Choy continued in opposition, stating:

"Thank you, Mr. Speaker. That's the point that I want to speak to. That's a very substantial change. When you bid on a contract on a competitive basis, I see no reason why we should be discriminated against, as far as giving contributions to candidates. We bid in an open process. We're competitively bidding with our competitors, so I don't see that as a big problem.

"But more so, since this Floor Amendment changes that, I really think that we should have at least have gone through the public hearing process, and at least have our voices heard, and see what exactly is the problem between bidding on a competitive and non-competitive basis, and then giving candidates political contributions. Thank you, Mr. Speaker."

Representative Belatti rose to speak in support of the proposed Floor Amendment, stating:

"Thank you, Mr. Speaker. I rise in strong support of this Floor Amendment. I would like to make a few comments. I appreciate the comments of the good Representative who has been my neighbor all Session; however, I happen to disagree with him on this particular measure. I want to thank the good Representatives from the Aina Haina and Puna Districts, because I think they have brought before us an amendment that highlights the substantial flaws of the underlying bill.

"They offer us a chance through this Floor Amendment to be more deliberative, and to in fact, allow for the process of public hearing on this very important measure. Yes, if this Floor Amendment were to pass, it would essentially end the debate at this time. But all that simply would mean is that this bill would then go into the Conference Committee, and the Conferees for the next year could reconsider it.

"In the alternative, if this Floor Amendment were to pass and the underlying bill were to die, then we could have the full debate about the measures being presented in the Floor Amendment.

"Mr. Speaker, again, this Floor Amendment addresses some very substantial flaws in the underlying bill, and I support this Floor Amendment for that reason. Thank you."

Representative B. Oshiro rose to speak in opposition to the proposed Floor Amendment, stating:

"Mr. Speaker, I rise in opposition to the Floor Amendment. Just three points. First, it's a little too much, a little too late. As already referenced, the Senate has already moved out House Bill No. 128, and at this point, if we were to adopt this Floor Amendment, that would basically mean that there could be no action for the rest of this Session, until next Session. And, so the law would continue to stay in flux and in uncertainty.

"Secondly, this underlying bill was actually the work of a task force of over a dozen attorneys with countless hours of time and effort poured into our current HRS Chapter 11, the campaign spending law to recodify it and come up with a very comprehensive bill that is over 90 pages long. This is so that, when we head into the next election cycle, things will be much

easier to understand. Ambiguities and vagueness in the current law will be cleared up.

"Thirdly, the issue about pay-to-play. I think that's a mischaracterization. What people don't understand is the actual underlying bill is addressing that issue of pay-to-play, because pay-to-play is really a concept that comes when it has to do with non-competitive solicitations. And, although prior Representatives have talked about bids, they also forget that there are Requests For Proposals. And, so there's multiple ways in which contracts can be awarded. In either scenario, when it is a competitive award in bidding process, a low bid gets the contract. In a solicitation RFP, it goes to an evaluation committee, and they score and determine who gets the contract. And so the issue about pay-to-play really doesn't have much influence when it comes to awarding through competitive processes.

"The question, if we want to address that, is the timing of it all, and neither the underlying bill, nor this Floor Amendment addresses it, because both of those things say it's at the time of execution of the contract. But, it does nothing to actually talk about when you're in the negotiation stage, when you're in the solicitation state, and when you actually have been awarded the contract before you sign off on it, executing it. And, so that is the big gaping hole, and neither the underlying bill, or this Floor Amendment, neither of which is cured.

"And so for those reasons, I think that since Campaign Spending has already said they want this bill to move forward, they looked at these provisions on contractors, as well as the corporate contribution levels, and they are ok with this bill. The fact that Campaign Spending wants this bill to move forward, for me is more than enough justification to vote down on this Floor Amendment."

Representative Finnegan rose to speak in support of the proposed Floor Amendment, stating:

"Thank you, Mr. Speaker. I rise in support of the Floor Amendment. You know, Mr. Speaker, I was going to vote down on the underlying bill, because of the non-bid contractor language. And if I remember correctly, when I did sit down with Campaign Spending, most of the task force that suggested the language changes in the bill was non-substantive, and it was a bunch of people trying to make clarifying statements on the campaign spending law.

"So, to me, by having this particular situation, where we've added the non-bid language, to me, that is substantive. Especially since, when we were talking about the pay-to-play back, I think this was 2004 or 2005, these changes were substantive campaign spending election reforms. It was supposed to address the pay-to-play issue. There was so much talk about how this was reform. And now we're saying, 'No, there's a process and it was already in play.' So, the pay-to-play thing, that was non-existent.

"Mr. Speaker, this is why I'm kind of confused at the Majority Leader's comments. And what I will say is I will support the amendment, because if it ends up stalling to until next year, or if it ends up dying, we can bring it up next year, and I was already going to vote 'no' on the underlying bill. Thank you."

Representative Ching rose to speak in support of the proposed Floor Amendment, stating:

"Thank you, Mr. Speaker. I'm rising in support of the amendment. With all due respect for the Representative from Manoa, as well as the Majority Leader, in conversation with people who do, do work, there is that very deep concern regarding pay-to-play. I believe that it's so important for the respectability of this Chamber, of the entire Legislature, that we make sure that we now, and it appears that we are not appearing as if we're taking it's pay-to-play, and that is a real concern amongst so many people in the community of professionals.

"I think that it's better to pass an amendment and know that it will before good laws that protect the honorability of our names and not pass a bill

that would set a cloud over that. And, so to me, I think that the Floor Amendment is much better than the underlying bill."

Representative Belatti rose to respond, stating:

"Thank you, Mr. Speaker. In rebuttal to the Majority Leader. Just three very quick points. First of all, echoing the Minority Leader, the recodification task force did a wonderful job, but did not make the recommendations that we are seeing, the major substantive recommendations that are being imposed in the underlying bill.

"Two, while I respect the Campaign Spending Commission dearly, as a former member of the Campaign Spending Commission, it is not their job to decide the policy as to whether or not State contractors should be giving money into the political process. It is our job.

"Third, and again, the speech to my political beginnings, which I cannot be dishonest to, which I must stay true to. As a Campaign Spending Commissioner, during those time when we were shutting down the pay-to-play system, we were looking at contractors who were receiving State bids, and this reform that prohibited the contributions of State contractors to giving money to political campaigns was a direct result of that. And that reform was a good reform. The underlying bill would roll back on that reform, Mr. Speaker. So, I stand in strong support of the Floor Amendment for that reason."

Roll call having been requested, the motion that Floor Amendment No. 16, amending H.B. No. 128, HD 1, SD 1, CD 2, entitled: "A BILL FOR AN ACT RELATING TO ELECTIONS," be adopted, was put to vote by the Chair and failed to carry on the following show of ayes and noes:

Noes, 30: Aquino, Awana, Cabanilla, Carroll, Chang, Chong, Choy, Coffman, Evans, Har, Herkes, Ito, Karamatsu, Keith-Agaran, M. Lee, Magaoay, Manahan, McKelvey, Mizuno, B. Oshiro, M. Oshiro, Sagum, Say, Souki, Takumi, Tokioka, Tsuji, Wooley, Yamane and Yamashita.

Ayes, 19: Belatti, Berg, Brower, Ching, Finnegan, Hanohano, C. Lee, Luke, Marumoto, Morita, Nakashima, Nishimoto, Pine, Rhoads, Saiki, Shimabukuro, Thielen, Wakai and Ward.

Excused, 2: Bertram and Takai.

(Main Motion)

Representative Belatti rose to speak in opposition to the measure, stating:

"Mr. Speaker, I speak in strong opposition to House Bill 128, Conference Draft 2. Let's be clear, Mr. Speaker, what this bill does. This bill opens the floodgates, not just to special interests, but special interest, corporate interest, that get State contracts. That is the major substantive change being made by this bill, Mr. Speaker. It is a disappointing day for me to be voting on this kind of bill where the people are put after the politicians and the special interests. I can't say much more, Mr. Speaker, but I stand in strong opposition to this bill. Thank you."

Representative Choy rose to disclose a potential conflict of interest, stating:

"May I have a ruling on a potential conflict? I do State contracts," and the Chair ruled, "no conflict."

Representative Marumoto rose to speak in support of the measure with reservations, stating:

"Mr. Speaker, I will rise in favor, but I would like to express a reservation. Basically, I'm in favor because I think we need the recodification of Chapter 11, I'm glad to see it. But, there's a part of the campaign spending law that this bill did not touch, and that is the issue of corporations that set up non-candidate committees or PACs, and restricting the funding from corporate treasuries. My understanding is that the Tavares case, which removed the cap, is on appeal, and that the Legislature

does not want to jump in front of the court on this one. I would disagree, in case the Tavares case prevails.

"Although no one needs reminding, this is only one of the most unsettled parts of the campaign spending law. And, the House took a pass on clarifying it before Third Reading, but faltered. I can understand the rationale for trying, even though I may disagree with it. Mr. Speaker, I have heard from those in the legal community, including the Judiciary Chair, that the bets on the Intermediate Court of Appeals overturning our law limiting contributions into PACs. If so, we will be back at square one. The bad ole days with big corporations wielding a huge monetary influence over elections. So, we are basically standing pat with our law that is likely to be overturned. I would have liked us to be more proactive if the policy we want to set forth is that corporate money should not rule campaigns.

"So, I suppose I can hope against the judgment of others that Tavares will be struck down by the courts, but if not, we will be right back here again. If we are going through the trouble of doing a recodification and include some substantive amendments, we should have taken up this issue to establish a cap on corporate contributions. After all, piecemeal amendments were what led to the recodification in the first place. Thank you."

Representative C. Lee rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. I rise in opposition to this measure. I just want to be very brief. I have similar concerns to the speakers who have already spoken before me. I just want to note that in this of all years, I think, this isn't the sort of measure that our new President, Barak Obama would condone, or much less, sign. And this isn't the sort of change that I signed up for. Thank you."

Representative McKelvey rose to speak in support of the measure with reservations, stating:

"Thank you very much, Mr. Speaker. In support. I do have some reservations, and may I have the words of the Representative from Kahala entered into the record as if they were my own? And, I've always been bothered with the contractor language vis-à-vis, the donations. However, I feel that in this case, we may let the perfect become the enemy of the good, insofar as there will be an unlimited, instead of having caps.

"The court will do its work. Hopefully they will come down with a ruling. But to at least have some caps in place, and the recodification I feel is important. And, we have next Session to come back, and as I have in the past with other bills, such as a voter-owned election, I remain committed to work with you, the Members of this Body, and the Judiciary Chair on trying to create a campaign system that will be fair, open and honest for everyone. Thank you."

Representative Berg rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. I rise in opposition, and wish that the words of the Representative from Makiki be entered as my own. As well as, I wish to, again, appeal to my colleagues to vote down this particular measure, more specifically, for the reasons that I introduced the Amendment. But there's also a piece of this legislation that allows 30% of out-of-state contributions from Hawaii's political campaigns, up from the existing 20%. This is one of those points again, Mr. Speaker, that I think we need to discuss among ourselves. It allows more money and influence from elsewhere, and instead of encouraging us as candidates to raise funds from our own constituents and communities, it relies upon out-of-state influences.

"In addition to removing the prohibition on the State and county contractors, what this does, and I know this probably will be uncomfortable for some of my colleagues, but this bill would allow us, as elected officials to donate from our campaign funds to schools and libraries, in addition to the donations that are already allowed to community groups. I like to contribute and help my communities, but I'm very uncomfortable, personally, and that's what this bill would allow. It

will allow us to keep 'seeding' the community, if you will, with our own donations, as if they are, when actually we can't take credit for the donations that other people give us.

"I'm hopeful that my colleagues, even if they vote 'yes,' will see that we do need to look at this more deeply, and trust that our communities are going to be paying attention. Thank you."

Representative Ching rose in opposition to the measure and asked that her written remarks, and the remarks of Representative Berg be entered into the Journal as her own, and the Chair "so ordered." (By reference only.)

Representative Ching's written remarks are as follows:

"Thank you, Mr. Speaker. I rise in opposition to House Bill 128, House Draft 1, Senate Draft 1, Conference Draft 2. For the most part, this bill recodifies our campaign finance laws. That part, I have no problem with. But there are several substantive amendments in this bill, and my opposition is with some of those substantive changes.

"I want to limit my focus on one particular change proposed by this bill. Under current law, contractors are prohibited from making campaign contributions if they have a State or county contract. We put that prohibition into law to combat, to prevent the ills of a 'pay to play' system of government contracts in exchange for campaign contributions. That was only a few years ago.

"Now, with this bill, we are looking to limit that prohibition to only non-bid contractors, opening up the playing field for other contractors. First, when we passed the original campaign contribution prohibition, it was against the backdrop of a former Honolulu Mayor who was infamous for drafting bid contracts in such a way as only a select few or one could bid on them. This created a situation where "non-bid" and "bid" were only a matter of semantics. It was all 'pay to play'.

"This amendment would allow that kind of creative contract drafting, and the inevitable campaign contributions to return. Why now? A few observations.

"The Governor's race will be an open seat come 2010. Political fundraising, in general, has become more difficult with the worsening economic climate. We are all up for re-election in 2010, as is half of the Senate. Several Honolulu City Council members will be term limited, creating open seats. There are rumors that the Mayor of Honolulu will run for something in 2010 that may require him to resign to run. It certainly appears that this amendment could be born out of political expediency.

"We should not favor the expedient over what is right. We made the correct policy decision years ago. We should stick to it."

Representative Wooley rose to speak in support of the measure with reservations, stating:

"Thank you, Mr. Speaker. I rise in support. Thank you. With some reservations. I think that we've discussed this bill repeatedly through Session, and I want to say I appreciate the Judiciary Chair, as well as the Representative from Aina Haina's efforts to address complicated questions. We've heard from the Campaign Spending Commission repeatedly about the importance of this bill. And, they really begged us to pass it, in the name of transparency and clarity. And, I think for that reason, I'm standing in support of this bill.

"I think that there's still questions that we may need to discuss further, and I hope that we can do that in the next coming year. And if needed, we'll pass amendments. Thank you."

Representative Pine rose to speak in opposition to the measure, stating:

"Yes, in opposition, Mr. Speaker. When we first passed this bill in the House, that prohibited anyone with State contracts from donating, I remember so many speeches from the Majority, saying, 'We're going to change politics forever. For once, we're going to give politics back to the

people. And, we're no longer going to do the pay-to-play game that has been around in Hawaii politics for years.' And so, it just really saddens me that we're reversing all that today. And, no matter what reason you give, it's so hard for me to explain to my constituents why we're changing what we said was so important just not too long ago."

Representative Herkes rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. Mr. Speaker, in support. And, a little history on this so called pay-to-play. Let's go back to Frank Fasi, who was a master of extorting money out of anybody who did business anywhere close to the City. One time he told Spence Cliff how much money Spence should give to his campaign, and Spence refused. Spence Cliff's biggest business entity, the most popular, was the Queen's Surf, which was on ceded land. Fasi condemned it, and personally drove the bulldozer that tore down Queen's Surf. And, you wonder how this all started. So, everybody in their own defense was giving money.

"Mr. Speaker, as you know, I've done a lot of work on the Procurement Code, and in the non-bid contracts, there are three independent people that analyze the proposals made by A&Es, architects and engineers, and then those three make a recommendation. And, that is how the selection is made. And, I will say, in the discussions that we've had between the Senate and House on the Procurement Code, there was one time when DAGS arbitrarily overruled the recommendation of the Selection Committee. The Selection Committee was so incensed that they demanded in writing the reason that that recommendation was overturned. And, we called them on it in the hearing. They denied that ever happened. What they did is they reversed and went back to the recommendation of the three-person Selection Committee.

"So, I think there's a lot of safeguards there. Plus, we'll report anything that we get that's over \$100. I'm in support."

Representative B. Oshiro rose to speak in support of the measure, stating:

"Mr. Speaker, I rise in support. I just have two brief points. The first one is actually tying into what the Representative from Kahaluu said. Basically, we need this bill if we are going to get transparency in our campaign spending laws. According to the Pew Charitable Trust, which has a national survey of 50-states' campaign financing laws and transparency, and a study conducted by the Center on Governmental Studies, UCLA School of Law, and the California Voter Foundation, Hawaii ranked number seven in the nation overall in 2008, as well as number five in the nation for campaign finance laws, and number one in the nation for its electronic filing system. All of those things are necessary in this recodification, if we're going to continue to be highly ranked in our transparency. Because, at the end of the day, transparency is the most important thing.

"The voters are not stupid. The voters can figure out for themselves if they want to support a candidate, looking at their campaign spending donations, and the only way that happens is with true transparency. It's for that reason, I stand in support.

"Secondly, the criticism that this is really supporting pay-to-play, that is mixing apples and oranges. As I stated before, and in support of the Representative of Ka'u, that's different. The issue when we passed this law back in 2005 was that State money, government should not be funding campaigns. That was the issue.

"Pay-to-play is different. Pay-to-play is when you actually contribute in order to get the contract. As I stated before, that transaction, that evil is occurring before the award of the contract. Before the execution of the contract. Nothing in this bill, nothing ever introduced to my knowledge has addressed that issue. If we are going to talk about it, talk about it honestly, then we need to actually have that language in front of us. That is not in front of us. This bill before us does a great thing, because it talks about when we're dealing with non-competitive contracts. That is truly where pay-to-play comes in to play. Thank you, very much."

Representative Pine rose to respond, stating:

"Actually, I agree with the Majority Leader. I do believe that the voters aren't stupid. And, there're not going to believe that this is for transparency. That we're now allowing more money than ever before, at least now, to get back into politics. I just think that's just a difficult thing to explain to them. I think the system where we currently limit companies from giving very large donations, where we limit companies that have State contracts that are clearly benefiting from taxpayer money, and these contractors do have connections with many politicians in some shape or form. So, I do believe that the voters are not stupid."

Representative Karamatsu rose to speak in support of the measure, stating:

"In support. First of all, I want to thank the Campaign Spending Commission for working so hard and closely with the Legislature, both in the House and the Senate. It's been an up and down ride with this issue. So, finally we do have a draft and there were compromises made in here.

"First, I think the Majority Leader stated very eloquently, as well as the CPC Chair did on issue of the contract bid, versus non-bid. The statements they made are very true. We're not talking about people contributing to the Legislature. We're looking at the Executive branch. So let's narrow it down to the Executives; the mayors, and then the Governor.

"As far as a competitive bid, they have to go through a process, as mentioned earlier by the previous speakers. Whereas in non-competitive bids, there are no checks and balances or process for evaluating whoever has the lowest bid, or going through all the evaluations of an RFP. So, that's what we're looking at.

"When we're preventing people from participating, we're preventing them from participating in a situation where it's a direct contribution to the decision-maker. But there is no direct contribution to the decision-maker in the competitive situation. So, that's what we're trying to get at here.

"Second, in regards to the non-candidate committee limitation, a lot of people vote on emotion. For myself, if I voted on emotion, I would vote on a lot of bills differently, but I have to analyze it. And, when it comes to treating one entity differently from another entity, in law school we learned that we have to try to make sure we don't discriminate between entities. So, that's the reason why I felt very uncomfortable about why is there a cap on one entity, when there is none on other types of entities or individuals.

"And, I know it's not on discussion on the Floor right now, but as far as the cap on the non-residents, we're discriminating based on non-residents versus residents. It's only a matter of time before someone decides to file a lawsuit on that. So, that's why I had concerns on that. But, we're willing to compromise on increasing it from 20% to 30% cap on non-resident contributions. There are former residents who live outside of Hawaii. A number of my own family that would love to participate. However, we expanded the reporting period on those situations, so it's during the election period, rather than each reporting period.

"So, these are the things that the Judiciary Committee had to look at, and rather than base it on emotion, we had to, in a difficult way, analyze it legally. It was the same way with 'Karen's law' and all these other things ..."

The Chair addressed Representative Karamatsu, stating:

"Representative Karamatsu, you're out of order on that particular statement. Confine your remarks to the bill that is before us."

Representative Karamatsu continued, stating:

"Okay. So, basically, that's what we did to make the decisions on this. Thank you."

Representative Ward: "Mr. Speaker, would you entertain a short recess?"

The Chair responded, stating:

"No. Let's continue on."

Representative Finnegan rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. In opposition, and I have a few comments. Thank you, Mr. Speaker. I did want to rebut just a couple things. When we're talking about equality, and we're talking about equality having to do with the same organization, we're talking about corporations not having a limit, versus having a limit. When this bill originally was passed, there was a cap on corporate donations going into PACs. But we did not address, and I think there's some debate on it, but we did not address unions and union PACs at all. So, when we talk about equality, I just don't agree. Sometimes, you basically are going to have to make decisions based up that particular group.

"The other thing is, I guess I got a double message from the Majority Leader, because he said when this particular reform first was started, he said the reason why we put in the contractor language is because we didn't want State money going to campaigns. So, is he saying that he's okay with having State money going into campaigns now? Because, that's what we're doing, even with the non-bid contractors. Maybe he doesn't see it as pay-to-play. But, it's still State money going to campaigns.

"Mr. Speaker, the other thing that we could have done in regards to this, is just on a very fair measure, is take the bill that Campaign Spending gave to us, that they said was super important to them, and not make any substantive changes by putting in other language, and we could have passed it. It could have flew through the House very easily, because none of us, I can't speak for everyone, but I don't think anyone on this Floor can say that we would be against that transparency measure. That would have flew through the House. Mr. Speaker, but what we did do was we put substantive changes into the bill that I know I brought up earlier on in early Readings, having to do with the pay-to-play. Having to do with the corporate donations. And yet, we still moved it forward. And, you can tell by the history of the record of the movement of this bill, that it has had trouble all the way along. We could have corrected that.

"So, when we're talking about making a change and we needed to save the bill and have the transparency, there was a simple solution, but we did not want to do that. Thank you, Mr. Speaker."

Representative Belatti rose to respond, stating:

"Thank you, Mr. Speaker, and I'll be really brief. I just wanted to build upon the points of the young freshman Representative from the Windward side. I just want to stress again, that the lifting of the prohibition of the competitive bids to State contractors is a bad provision. We started this Legislature with such high hopes, claiming President Barack Obama as our own, while this measure brings to Hawaii Chicago-style Blagojevich politics, something that I cannot be a part of. Thank you, Mr. Speaker."

Representative Saiki rose to speak in opposition to the measure, stating:

"Mr. Speaker, I rise in opposition to this measure. I have written comments, but the gist of my comments point to the fact that this bill ultimately reduces standards, even though the bill is styled as one that just makes minor substantive changes to our current campaign spending laws. And, the reason why this bill reduces standards for our State is because it makes some substantive changes that will reverse laws that we recently enacted within the past eight years or so.

"This legislation will continue the uncertainty and non-enforcement of corporate registration requirements and corporate contributions, using treasury funds. It will also increase the amount that non-residents can contribute to campaigns.

"It will also undo the ban on government contractors who bid for their contracts. It is the combination of unlimited corporate contributions, and the lifting of the ban on bid contractors in particular that is troubling, especially in this period of time, with hundreds of millions of dollars will

be floating through our State, our construction projects and other public works.

"This legislation takes us in the wrong direction. It reduces our standards, and we should vote it down. Thank you, very much."

Representative Saiki's written remarks are as follows:

"Mr. Speaker, I rise in opposition to H.B. 128 because it will lower the standards that the Legislature has worked to achieve over the years with respect to campaign finance law. Specifically, this measure will increase the cap on nonresident contributions, eliminate the ban on contributions from government contractors who go through the bid process, and ignore the need to clarify whether corporations should be limited in the amount of treasury funds they can use to make contributions and whether corporations should be required to form PACs to make those contributions.

"It should be noted that the Legislature has a duty to clarify and strengthen our campaign finance laws. The 1978 Constitutional Convention adopted an amendment to the State Constitution that specifically reserves to the Legislature the power to enact laws concerning contribution limits. Article II, section 6. The legislative history shows that the delegates intended that the Legislature take an independent and assertive role in crafting contribution limits.

"For this reason, the Legislature should revisit the issue of corporate contribution limits even though the Tavares v. Campaign Spending Commission case is currently on appeal. While the appeal is pending, the CSC is not enforcing the corporate contribution law. The CSC is currently not enforcing registration and reporting requirements for corporate PACs. Corporations are now free to use unlimited amounts of corporate funds for contributions.

"Some have argued that we should, 'let our courts decide' by waiting for the ICA to rule. The question of corporate contributions and campaign finance law is a policy call for the Legislature, not for the courts. The Legislature should resolve any confusion or ambiguity now, rather than allow the courts to make the call.

"In 2005, the Legislature created a new law that banned State and county contractors from making campaign contribution. The ban applied to bid and non-bid contractors. HB 128 proposes to eliminate the ban on bid contractors. There is no rationale for this change.

"The attached editorial (*Honolulu Advertiser*, 4-30-09) explains the reasons we should not pass this measure as drafted."

"April 14, 2009

Campaign contributions: There's time to fix corporate donations law

As the Legislature heads into the final stretch of a difficult session — the negotiations over bills in conference committees — it's important to keep in mind one thing.

The final stretch is the most important part of any race. At the state Capitol, a lot of the crucial work is done at the tail end.

One of the Legislature's mixed-bag achievements is its attempt to recodify the confusion of state campaign financing laws. That measure, House Bill 128, shows some clarity brought to the matter but there's a critical gap: It doesn't address the limits on campaign contributions from the treasuries of corporations.

There needs to be some rulemaking here, in that campaign committees are already gearing up for the 2010 election. Direct financial injections from corporations into the electoral process cede too much influence to moneyed interests, to the detriment of the general public.

The issue already generated controversy, with other failed bills proposing unlimited corporate treasury donations, or at least much more than the \$1,000 set in the last revision of the law.

The trouble is, that revision did not set the limit clearly enough for the state Circuit Court, which struck it down last year. The case, on corporate donations to Maui Mayor Charmaine Tavares' 2006 campaign, is on appeal. Meanwhile, the state Campaign Spending Commission has said the old limit won't be enforced unless it's upheld on appeal.

There's a lot of political pressure to do nothing. But the Legislature is elected to see that state policy is clear, and it has a chance to give the commission an unambiguous law. HB 128 should restore a \$1,000 cap, and require corporate contributions to be made to political action committees, making it easier to track who gave money to whom.

That can be done in conference committee. What must not happen, however, is any late attempt to enable greater corporate giving.

HB 128 does include a late change that bears reconsideration. Candidates would be able to donate any unspent funds to public schools or state libraries. As much as these are cherished institutions of society, a contributor gives to a campaign for a specific purpose: to support a candidate. To divert their money to other beneficiaries is unfair, whether that recipient is a public agency or a nonprofit.

Hawai'i has endured too long with campaign finance laws that impede transparency and accountability to the public. If there is any hope of reinvigorating public trust in government, correcting that failing would be a good first step.

The Honolulu Advertiser"

Representative Ward rose in opposition to the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Ward's written remarks are as follows:

"This bill is in part a recodification of the campaign finance laws, but with the following substantive changes:

- 1) Restricts the prohibition on contributions by contractors to only non-bid contractors. (11-FF, p. 50) and is a step backwards in campaign finance reform.
- 2) Mandates attribution of contributions given by partnerships and limited liability companies in direct proportion to partner's share of profits. (11-LL, p. 56)
- 3) Increases limits on contributions from nonresidents from 20% per reporting period to 30% for each election period, (11-MM, p. 57-58) and is said to help those who used to raising funds on the mainland and possibly running for governor in 2010.
- 4) For some reason this bill allows donations to a public school or public library subject to the same limits as currently exist for donations to community service, educational, youth, recreational, charitable, scientific, or literary organizations - twice the maximum amount that one person may contribute to the candidate. (11-SS, p. 64)
- 5) Lastly, it provides that a candidate who qualifies for the maximum amount of public funding in any primary election and who is a candidate for a subsequent general election must apply with the campaign spending commission to be qualified to receive the maximum amount of public funds as provided in this section. (11-OOO, p.83

"Overall, this bill is a step backward on the financial reform front but a step forward in codification of the CSC statutes, but still not worthy of my vote."

Representative McKelvey rose in support of the measure with reservations and asked that the remarks of Representative Wooley be entered into the Journal as his own, and the Chair "so ordered." (By reference only.)

Representative Karamatsu rose in support of the measure and asked that his written remarks be inserted in the Journal, and the Chair "so ordered."

Representative Karamatsu's written remarks are as follows:

"I rise in support of House bill 128, House Draft 1, Senate Draft 1, Conference Draft 1, Relating to Elections.

"The purpose of this bill is to update, organize, and clarify, as well as make minor substantive amendments to, current campaign finance laws. We did not revise current substantive law regarding contribution limits to candidate committees or noncandidate committees; the language in this measure is identical to that currently codified in HRS 11-204(a) and 11-204(b). We did not consider it prudent to address new or clarified limitations on such contributions at this time due to pending appellate judicial review of *Charmaine Tavares Campaign v. Barbara U. Wong* by the Intermediate Court of Appeals, which struck down that section of the law. It should be noted that a number of lawmakers agreed to the decision by the Second Circuit Court that struck down contribution limitations to noncandidate committees because it discriminated corporations from individuals and other entities in participating in the political process.

"This bill made some substantive changes to current law such as restricting the limitation on contributions by contractors with the State to contributions by non-bid contractors only. It also allows for pro-rata attribution of contributions by partnerships and limited liability companies considered as partnerships by the Internal Revenue Service among the partners or members. Further, the limit on contributions by non-residents was increased from 20 percent to 30 percent of the total contribution received by a candidate or candidate committee for each election period (A number of lawmakers believe that this will be struck down by the courts because it is discriminating non-residents from residents in political participation).

"Finally, this bill provided that campaign funds to be used for donations to public schools or public libraries are subject to limitations similar to those for donations to community service or educational organizations already allowed under current law. Thank you."

The motion was put to vote by the Chair and carried, and H.B. No. 128, HD 1, SD 1, CD 2, entitled: "A BILL FOR AN ACT RELATING TO ELECTIONS," passed Final Reading by a vote of 36 ayes, with Representatives Belatti, Berg, Brower, Ching, Finnegan, Hanohano, C. Lee, Luke, Morita, Pine, Rhoads, Saiki and Ward voting no, and with Representatives Bertram and Takai being excused.

At 4:34 o'clock p.m., the Chair noted that the following bill passed Final Reading:

H.B. No. 128, HD 1, SD 1, CD 2

LATE INTRODUCTION

The following late introduction was made to the Members of the House:

Representative Finnegan introduced a group of employees from Hilton Hawaii who were here to attend the Governor's veto ceremony.

ANNOUNCEMENTS

Representative Thielen: "Yes, Mr. Speaker, I know that the group up there knows, but the Members here may not know. Governor Lingle vetoed that bill. Thank you."

Representative C. Lee: "Thank you, Mr. Speaker. I'd just like to take a moment to thank you and everybody for giving me the opportunity to serve as the Foodbank coordinator. I want to say thanks, especially to my staff upstairs for all their hard work, and for everyone here who took time out of their busy schedules to be a part of this; not only here on this Floor, but with the agencies as well throughout the building.

"Thank you very much everybody. We were able to raise quite a bit of money. We presented a check just the other day to the Foodbank for \$12,495.47, which should go a long way towards keeping a few people well-fed throughout these next couple of tough months coming up.

"Thank you again. Mahalo to everybody."

Representative Ward: "Mr. Speaker, speaking of well-fed, that was one of the best luncheons of Thai food we have ever had in this building. So, thank you and your staff for choosing that. Thank you, Mr. Speaker. That was very well taken."

Speaker Say: "You are very welcome."

Representative Ward: "Mr. Speaker, I had a part two, and that was my colleague left out that not only was the TAT tax vetoed, it was also the Conveyance Tax and the Small Business Tax. So, we have three on our agenda for tomorrow."

ADJOURNMENT

At 4:37 o'clock p.m. on motion by Representative Evans, seconded by Representative Pine and carried, the House of Representatives adjourned until 10:00 o'clock a.m. tomorrow, Friday, May 8, 2009. (Representatives Bertram and Takai were excused.)

HOUSE COMMUNICATIONS

House Communication dated May 7, 2009, from Patricia Mau-Shimizu, Chief Clerk of the House of Representatives, to the Honorable President and Members of the Senate, informing the Senate that the following bills have this day passed Final Reading in the House:

HB No.34, SD 1, CD 1
 HB No.36, HD 1, SD 2, CD 1
 HB No.128, HD 1, SD 1, CD 2
 HB No.200, HD 1, SD 1, CD 1
 HB No.300, HD 1, SD 2, CD 1
 HB No.343, HD 1, SD 2, CD 1
 HB No.381, HD 2, SD 1, CD 1
 HB No.427, HD 1, SD 1, CD 1
 HB No.690, HD 2, SD 2, CD 1
 HB No.754, HD 1, SD 1, CD 2
 HB No.876, HD 1, SD 2, CD 2
 HB No.899, HD 1, SD 1, CD 1
 HB No.900, HD 2, SD 1, CD 1
 HB No.982, HD 3, SD 1, CD 1
 HB No.989, HD 1, SD 2, CD 1
 HB No.994, HD 1, SD 2, CD 1
 HB No.1016, HD 2, SD 1, CD 2
 HB No.1271, HD 3, SD 2, CD 1
 HB No.1364, HD 1, SD 1, CD 1
 HB No.1464, HD 3, SD 2, CD 1
 HB No.1471, HD 2, SD 1, CD 1
 HB No.1483, HD 1, SD 1, CD 1
 HB No.1504, HD 1, SD 2, CD 1
 HB No.1627, HD 2, SD 2, CD 1
 HB No.1628, HD 1, SD 2, CD 1
 HB No.1678, HD 1, SD 2, CD 1
 HB No.1807, HD 1, SD 2, CD 1
 SB No.21, SD 1, HD 1, CD 1
 SB No.43, SD 2, HD 2, CD 1
 SB No.109, SD 2, HD 3, CD 1
 SB No.266, SD 2, HD 2, CD 1
 SB No.387, SD 1, HD 1, CD 2
 SB No.423, SD 1, HD 2, CD 1
 SB No.464, SD 2, HD 2, CD 2
 SB No.884, SD 2, HD 1, CD 1
 SB No.892, SD 1, HD 2, CD 2
 SB No.1107, SD 2, HD 2, CD 1

SB No.1202, SD 2, HD 2, CD 1
SB No.1206, SD 1, HD 1, CD 1
SB No.1218, SD 2, HD 2, CD 1
SB No.1222, SD 1, HD 1, CD 2
SB No.1352, SD 2, HD 2, CD 1
SB No.1461, SD 2, HD 1, CD 2
SB No.1665, SD 2, HD 1, CD 1
SB No.1673, SD 2, HD 2, CD 1
SB No.1674, SD 2, HD 2, CD 1

House Communication dated May 7, 2009, from Patricia Mau-Shimizu, Chief Clerk of the House of Representatives, to the Honorable President and Members of the Senate, informing the Senate that the House has this day agreed to the amendments made by the Senate and passed the following House bill on Final Reading:

H.B. No. 426, HD 1, SD 1