Representative Colleen Meyer (R) District 47
Laie, Hauula, Punaluu, Kahana, Kaaawa, Waikane, Kahaluu, Ahuimanu, Kaneohe
Office 808-586-8540 Fax 808-586-8544 Cell: 342-3155
E-mail: repmeyer@capitol.hawaii.gov

March 11, 2008

Contact: Michele Van Hessen
House Minority Research: 586-7033
Direct: 586-7041 Cell: 227-4332

Opinion Editorial
By
Representative Colleen Meyer

DECLINING REVENUE FORECAST CAN BE COUNTERED BY POLICY DECISIONS

Governor Lingle submitted her Supplemental Budget to the Legislature in December of 2007. The total budget for Fiscal Year 08-09 was $10.846 billion with general fund appropriations totaling $5,374 billion. For some background on this year's Budget, let's look back over the past couple of months.

The State Council on Revenues downgraded its state revenue forecast from 5.7% to 4.9% in January, which equals approximately $37 million in reduced state revenues for the fiscal year. On March 10th, we voted on House Draft 1 of the budget, which appropriated $5.310 billion in general funds and $10.770 billion in total funds. Today the Council on Revenue met and downgraded their forecast to 3.9%, which translates into $50 million less in tax revenues for the fiscal year.

While House Draft 1 reduced the general fund budget by approximately $65 million; with the lower forecast, we will now have to cut an additional $22 million in order to balance the offset predicted by the Council.

What can we do to counter the slowing growth of tax revenues? We need to look for ways to reduce fixed expenses. According to a Department of Budget & Finance letter on February 19th, 2008 to the House Finance chair, 83% of the $5.3 billion in revenue we take in, or approximately $4.476 billion, is dedicated to non-discretionary spending. That is salaries, benefits, debt service, and other entitlements such as workers compensation insurance, consent decrees, and other mandates.

Let's take a look at one area. According to that same letter, $168,989,440 is being paid out in health insurance premiums to the EUTF, or Employer-Union Trust Fund. EUTF's Administrator Jim Williams has testified in the Labor Committee hearings that the new Voluntary Employees'

Beneficiary Association Trust (VEBA) has had an adverse effect on the EUTF and has increased insurance premiums on its members. According to Mr. Williams, last year the EUTF consultant calculated that the EUTF budget for the Preferred Provider Organization (PPO) plan would have been lowered by about 4.3% (amounting to an overall premium savings of $8.6 million) if the members of the Hawaii State Teacher's Association remained in the EUTF instead of transferring to the VEBA Trust Pilot Program.

Another proposal Republicans have advocated for is medical liability insurance reform. This is a prime example of how legislation has fiscal consequences on the budget. Proponents of medical liability reform stated earlier this session that in Texas, which recently passed medical liability insurance reform, insurance premiums dropped from 8%-16.4%.

We know from the examples of other states that medical liability insurance premiums, health care prices, and health insurance premiums, drop when medical liability insurance reform is enacted.

So let's take the lower number, 8%. If that reduction in medical liability insurance premiums translates into a 2% drop in health insurance premium rates, guess what? On our current health insurance price tag, that translates into a $3.4 million reduction in the amount we have to pay into the EUTF.

With just these two policy decisions, we could reduce health care premium expenditures by approximately $12 million. Add to that $10 million in potential federal revenue that the Department of Education is not drawing down, plus $3 million in potential federal revenue that the Judiciary is not even attempting to draw, and you are looking at a revenue increase of approximately $25 million.

Maybe we really don't have a revenue problem, growth rates are moderate and our revenues are growing. What we really have is a spending problem. This is an excellent time to re-evaluate the hundreds of special funds created by past Legislatures. Are they still relevant? Exactly how much money is sitting idle? Could those funds be put to better use?