DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 3139, S.D. 1, PROPOSED H.D. 1

May 11, 2020
2:00 p.m.
State Capitol Auditorium

RELATING TO THE STATE BUDGET

The Department of Budget and Finance (B&F) provides the following comments regarding Senate Bill (S.B.) No. 3139, S.D. 1, proposed H.D. 1.

S.B. No. 3139, S.D. 1, proposed H.D. 1, replaces general fund moneys and appropriations from various acts with general obligation bond proceeds or appropriations and authorizes the transfer of the general fund moneys or general fund appropriations for deposit to the Emergency and Budget Reserve Fund (EBRF). This bill also transfers general fund "savings" from the Supplemental Budget Act and $25 million from the Mental Health and Substance Abuse Special fund to the EBRF.

B&F has serious concerns regarding the deposit of general funds to the EBRF due to the statutory requirements currently set forth by Section 328L-3(f) of the Hawai'i Revised Statutes:

- Section 328L-3 (f)(1): the Legislature shall not appropriate from the EBRF more than 50% of the total balance of the fund in a fiscal year.

- Section 328L-3 (f)(2): the Legislature shall not appropriate from the EBRF more than 10% of total discretionary funds appropriated by the Legislature in the same fiscal year for which EBRF moneys are appropriated.
- Section 328L-3 (f)(3): the Legislature shall not appropriate from the EBRF any amount in the succeeding fiscal year unless the State has collected or is projected to collect less general fund tax revenue in the current fiscal year compared to the immediately preceding fiscal year.

These constraints (under the current provisions of Section 28L-3(f)) limit the State's ability to match available funding with expenditure requirements for critical State operations in the fiscal years in which these funds are needed during these uncertain fiscal times. We strongly suggest that the general fund moneys be returned to the general fund and that general fund appropriations be allowed to lapse, which will reduce potential general fund expenditures.

Further, it is unclear if it is the intent of the Legislature to authorize all of the transfers and other budget and accounting transactions to be done specifically on May 30, 2020. This is a concern because: 1) May 30, 2020 is a Saturday; and 2) numerous transactions will need to be coordinated across several agencies and it may take more than one day for the transactions to be posted in the State's accounting system as they must be processed in order.

Finally, it is recommended that a lapse date of June 30, 2022 be added for the general obligation bond appropriations under Sections 2 and 5 of the bill. This lapse date will coincide with general obligation bond appropriation lapse date in Act 40, SLH 2019 (the General Improvements Act of 2019).

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR

KENNETH S. HARA
MAJOR GENERAL
ADJUTANT GENERAL

STEPHEN F. LOGAN
COLONEL
DEPUTY ADJUTANT GENERAL

STATE OF HAWAII
DEPARTMENT OF DEFENSE
OFFICE OF THE ADJUTANT GENERAL
3949 DIAMOND HEAD ROAD
HONOLULU, HAWAII 96816-4495

TESTIMONY ON SENATE BILL 3139_SD1
RELATING TO THE STATE BUDGET

PRESENTATION TO:
THE HOUSE COMMITTEE ON FINANCE

BY

MAJOR GENERAL KENNETH S. HARA
ADJUTANT GENERAL
DIRECTOR OF THE HAWAII EMERGENCY MANAGEMENT AGENCY
AND DIRECTOR OF HOMELAND SECURITY

MAY 8, 2020

Chair Sylvia Luke, Vice Chair Ty J.K. Cullen and Members of the House Committee on Finance.

I am Major General Kenneth Hara, Adjutant General, Director of the Hawaii Emergency Management Agency and Director of Homeland Security.

The Department of Defense (DOD) provides written testimony in **SUPPORT** of Senate Bill 3139_SD1 with comments.

The Department's number one CIP project in the Governor's budget package is the VA Long-term Care Facility project, also known as the Hawaii State Veterans Home. This project will build Hawaii's second State Veterans Home, adding 120 beds and supporting the long-term care services for veterans in Hawaii. However, this project is currently not being funded under SB3139_SD1. Therefore, the Department kindly requests the House Committee on Finance to support and add $26,275,000 in G.O. Bonds (MOF C) for the Hawaii State Veterans Home project, which will bring in an additional $3,825,000 in Other Federal Funds (MOF P) to the State. If supplemental funding is not received, the State, department, and veterans in Hawaii will endure the following impacts:

1. **The department will lose $44,753,618 in federal grant if $26,275,000 in state funds is not appropriated by the calendar year 2020 (FY21).** The department has 5 years from the date (June 19, 2020) the grant was awarded to obtain the federal funds through a reimbursement process. This leaves the department with only 4 years left to complete the project. The project is estimated to take at least 3 years to complete the project from start of construction to home certification (assuming no potential project delays), which includes 2 years of construction and 9-12 months for furniture and equipment installation, care home inspections and VA certification. Therefore, if the department do not receive the full supplemental funding in FY21, the state may be at risk in not completing the project in time to obtain 100% of the federal

grant through reimbursement by the lapse date in 2024 and the state will require to fund the remaining cost of the project.

2. **The loss of the Hawaii State Veterans Home will hurt the veterans and their families in Hawaii, who have earned the benefits to be cared for in a long-term care facility.** Per the 2010 census, there are approximately 117,000 veterans living in Hawaii and two-thirds live on Oahu. The state has only one veterans home operating in Hilo, known as the Yukio Okutsu State Veterans Home with a 95-bed capacity and the VA Community Living Center (CLC) at Tripler Army Medical Center with a 60-bed capacity is the only skilled nursing care facility available for veterans on Oahu.

3. **The project will ease the State's shortfall of 173 beds for veterans in Hawaii and reduce the long-term care burden at state public and private care facilities.** The Hawaii State Veterans Home will build a 120-bed facility for veterans and families in the State of Hawaii. A third veterans' home on Maui is also being planned in the future to further ease the State's bed shortfall in skilled nursing care.

4. **This is a $75.5 million shovel ready construction project that can help stimulate the State economy in calendar year 2020.** The Hawaii State Veterans Home is 100% complete in design and ready for construction. A conditional letter of intent to award the contract has been issued to a selected local construction company and pending the approval and receipt of supplemental funding in this session to start construction.

5. **If the project is deferred, it will take approximately another 5 to 10 years to obtain the federal funding.** The State of Hawaii will be forced to cancel the VA grant if the department do not receive the full FY21 CIP request ($26,275,000) needed to complete the project. There is a backlog of veterans' home to be built nationwide with limited available VA funding each year. From the original grant application, the State has endeavored for 5 years to reach this point in obtaining VA federal funds for this project. The project submitted a pre-grant application in 2014 and was placed as priority #57 in the FY17 VA veterans home priority list. Due to a tremendous, unanticipated benefit of U.S. Department of Veterans Affairs' one-time distribution of nearly $700 million to VA home grant applicants nationwide, Hawaii was one of the fortunate states to be selected for the initial grant award. We do not anticipate funding of this magnitude to be available again for another 5 -10 years. If the State is unable to meet the scope of the original grant application of 120 beds, the State must submit a new grant application and defer the funding that was awarded to the project. The State will then be placed on the back of the priority list and wait for future funding opportunities. A new request for State funding appropriation for the State's share would also be required.

6. **This project is estimated to generate approximately $3 million to $5 million in net profit revenue annually.** Like the Yukio Okutsu Veterans Home in Hilo, VA homes are constructed to be self-sustaining. Currently, the project is expected to generate a positive net revenue of approximately $3 million by its second year in operation and approximately $5 million in subsequent years. The revenue projections are based on multiple variables to include Medicare/Medicaid offset, VA per diem, and ratio of disabled Veterans.

7. **This project will generate approximately 200 plus jobs in Hawaii.** Once the Hawaii State Veterans Home is completed and certified, it is estimated to provide approximately 200 healthcare and administrative jobs for our State as well as internships with the University of Hawai'i West Oahu College and with neighboring high schools anticipated with emphasis on Science, Technology, Engineering and Math (STEM) principles.

Alternative: The Department is unable to cut scope and program requirements for this project. A 120-bed facility must be built. Anything less will require us to return the $44.7 million federal grant for the project and the State will have to submit another pre-grant application to recompete in the outyears. Without the federal grant funding, the State would assume 100% of the cost of the home.

The Department's second CIP project in the Governor's budget package is the Disaster Warning and Communications Devices project for the Hawaii Emergency Management Agency (HIEMA). This project will add $2,500,000 in GO Bonds (MOF C) for planning, design, and construction funds to install new, replace and/or upgrade outdoor siren warning systems statewide. However, this project is also currently not being funded under SB3139_SD1. Therefore, the Department kindly requests the House Committee on Finance to support and add $2,500,000 in G.O. Bonds (MOF C) for the project in order expand the coverage and reliability of the warning and control system, as well as modernize and alleviate siren coverage gap areas in Hawaii.

Thank you for the opportunity to support SB3139_SD1. If you have any questions or need additional information to our response, please contact our administrative services officer Rusty Spray at (808) 726-5599 or at rusty.spray@hawaii.gov.

STATE OF HAWAII
DEPARTMENT OF DEFENSE
OFFICE OF THE VETERANS' SERVICES
459 PATTERSON ROAD, E-WING, ROOM 1-A103
HONOLULU, HAWAII 96819-1522
Telephone Number 433-0420

TESTIMONY ON SENATE BILL 3139 SD1
A BILL RELATING TO RELATING TO THE STATE BUDGET

PRESENTATION TO:
THE HOUSE COMMITTEE ON FINANCE

BY

RONALD P. HAN JR.,
DIRECTOR, STATE OFFICE OF VETERANS SERVICES

MAY 10, 2020

Chair Sylvia Luke, and Vice Chair Ty J.K. Cullen, and Members of the House Committee on Finance.

I am Ron Han, Director of the State Office of Veterans Services and I am testifying in **SUPPORT** of Senate Bill 3139 SD1 with comments.

My appreciation for the opportunity to provide written testimony on behalf of the 117,000 Veterans who reside in the State of Hawaii according to the Department of Veterans Affairs State Summaries and in alignment with the Executive CIP Budget Request and our State Department of Defense which supports SB3139 SD1, Relating to the Department of Defense Capital Improvement Projects; Executive Branch; Chapter 42F; Grants.

The Department's number one CIP project in the Governor's budget package is the VA Long-term Care Facility project, also known as the Hawaii State Veterans Home. This facility will build Hawaii's second State Veterans Home, adding 120 beds and supporting the long-term care services for veterans in Hawaii. However, this project is currently not being funded under SB3139_SD1. Therefore, the State Office of Veterans Services kindly request the House Committee on Finance to support and add $26,275,000 in G.O. Bonds (MOF C) for the VA Long-term Care Facility project, which will bring in an additional $3,825,000 in Other Federal Funds to the State.

1. **The department will lose $44,753,618 in federal grant if $26,275,000 in state funds is not appropriated by the calendar year 2020 (FY21).** The department has 5 years from the date (June 19, 2020) the grant was awarded to obtain the federal funds through a reimbursement process. This leaves the department with only 4 years left to complete the project. The project is estimated to take at least 3 years to complete the project from start of construction to home certification (assuming no potential project delays), which includes 2 years of construction and 9-12 months for furniture and equipment installation, care home inspections and VA certification. Therefore, if the department do not receive the full supplemental funding in

FY21, the state may be at risk in not completing the project in time to obtain 100% of the federal grant through reimbursement by the lapse date in 2024 and the state will require to fund the remaining cost of the project.

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5. **If the project is deferred, it will take approximately another 5 to 10 years to obtain the federal funding.** The State of Hawaii will be forced to cancel the VA grant if the department do not receive the full FY21 CIP request ($26,275,000) needed to complete the project. There is a backlog of veterans' home to be built nationwide with limited available VA funding each year. From the original grant application, the State has endeavored for 5 years to reach this point in obtaining VA federal funds for this project. The project submitted a pre-grant application in 2014 and was placed as priority #57 in the FY17 VA veterans home priority list. Due to a tremendous, unanticipated benefit of U.S. Department of Veterans Affairs' one-time distribution of nearly $700 million to VA home grant applicants nationwide, Hawaii was one of the fortunate states to be selected for the initial grant award. We do not anticipate funding of this magnitude to be available again for another 5 -10 years. If the State is unable to meet the scope of the original grant application of 120 beds, the State must submit a new grant application and defer the funding that was awarded to the project. The State will then be placed on the back of the priority list and wait for future funding opportunities. A new request for State funding appropriation for the State's share would also be required.

6. **This project is estimated to generate approximately $3 million to $5 million in net profit revenue annually.** Like the Yukio Okutsu Veterans Home in Hilo, VA homes are constructed to be self-sustaining. Currently, the project is expected to generate a positive net revenue of approximately $3 million by its second year in operation and approximately $5 million in subsequent years. The revenue projections are based on multiple variables to include Medicare/Medicaid offset, VA per diem, and ratio of disabled Veterans.

7. **This project will generate approximately 200 plus jobs in Hawaii.** Once the Hawaii State Veterans Home is completed and certified, it is estimated to provide approximately 200 healthcare and administrative jobs for our State as well as internships with the University of

Hawai'i West Oahu College and with neighboring high schools anticipated with emphasis on Science, Technology, Engineering and Math (STEM) principles.

Alternative: The Department is unable to cut scope and program requirements for this project. A 120-bed facility must be built. Anything less will require us to return the $44.7 million federal grant for the project and the State will have to submit another pre-grant application to recompete in the outyears. Without the federal grant funding, the State would assume 100% of the cost of the home.

Once again, thank for your support and kokua for this critical CIP project that will be highly beneficial to our Veterans and their eligible loved ones who are honored to call Hawaii their home!

Point of Contact: Ron Han/ email: ronald.p.han@hawaii.gov / (808) 433-0422.

DAVID Y. IGE
GOVERNOR

DENISE ISERI-MATSUBARA
INTERIM EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE
May 11, 2020 at 2:00 p.m.
State Capitol Auditorium

In consideration of
S.B. 3139, S.D. 1, Proposed H.D. 1
RELATING TO THE STATE BUDGET.

HHFDC ***offers the following comments*** on S.B. 3139, S.D. 1, Proposed H.D. 1. Sections 2 and 3 of the Proposed H.D. 1 authorizes the Director of Finance to transfer $250,000,000 from the Rental Housing Revolving Fund (RHRF) into the Emergency and Budget Reserve Fund on May 30, 2020 and appropriates the same amount in General Obligation (GO) Bond funds into the RHRF in FY2021.

Based on the following, HHFDC believes that $250 million could be transferred provided that taxable GO Bond proceeds are deposited in the RHRF to meet loan commitment and closing obligations.

As of May 6, 2020, the RHRF had a cash balance of approximately $385 million, of which about $345 million is comprised of cash or taxable bond proceeds. Approximately $310 million of this cash balance is reserved for the following:

- Approximately $4.4 million in construction disbursements are being made for 395 family and senior units in Meheula Vista III (Mililani) and Keahumoa Place Phases 1-4 (East Kapolei).

- Approximately $76.6 million in loans are scheduled to close by August 2020 for 507 family and senior units in Hale Kalele, formerly known as Alder Street (Honolulu), Kaiaulu O Waikoloa and Waikoloa Family (Waikoloa, Hawaii), Hale Makana O Maili (Waianae), and Kahului Lani II (Kahului). Construction on these projects is scheduled to commence this year.

- Approximately $24.7 million in loans are scheduled to close by December 31, 2020 for 149 family units in the Villages of La'i'opua (Kealakehe, Hawaii) and Kaiaulu O Kupuohi (Lahaina). Construction on these projects is also scheduled to begin in 2020.

- Approximately $167.2 million has been committed for 756 family, senior and special need units in Kaloko Heights (Kona), Kokua and Halewaiolu Sr. (Honolulu), Hale Uhiwai Nalu Ph. II (Kalaeloa), Halawa View II and III (Halawa), Hale Makana O Moiliili (Moiliili), and Kaiaulu O Kapiolani (Hilo). An additional $37 million is set aside for the 200-unit Keawe Street Apartments for families in Lahaina, pursuant to Act 150, SLH 2018 as amended by Act 98, SLH 2019. While progress is being made on these projects, we do not believe loan closings are imminent.

Therefore, funds could be transferred into the Emergency and Budget Reserve Fund on May 30, 2020, provided a taxable GO Bond appropriation of the same amount is deposited in the RHRF to meet loan commitment and closing obligations in FY2021.

We are willing to work with this Committee and Director of Finance. Thank you for the opportunity to testify.

SB 3139, SD2, RELATING TO THE STATE BUDGET

MAY 11, 2020 · HOUSE FINANCE COMMITTEE ·
CHAIR REP. SYLVIA LUKE

POSITION: Support.

RATIONALE: IMUAlliance supports the proposed draft of SB 3139, SD2, relating to the state budget, which makes deposits into the emergency and budget reserve fund by replacing general fund appropriations with general obligation bond proceeds and transferring savings from the Supplemental Appropriations Act of 2020; and transfers excess funds from other sources into the emergency and budget reserve fund.

COVID-19 has decimated our state's and our nation's economy. In Hawai'i, approximately 222,000 unemployment claims had been filed as of last Tuesday, with over $140 million worth of benefits being paid to recipients. Our tourism sector has been completely shuttered by the coronavirus, while retail, service, and hospitality businesses have closed their doors. According to Gov. David Ige, Hawai'i is now facing a budget deficit of $1.5 billion, a number not seen since the Great Recession. The islands, like the rest of the country, are facing a financial crisis that mirrors the Great Depression in the number of lost jobs. Community meals programs line our streets, bringing back memories of breadlines from the 1930s.

We are thankful that the state has crafted an economic response that does not cut critical social services or public sector pay. Cutting pay for public workers would, according to the University of Hawai'i Economic Research Organization, decrease our state's gross domestic product by roughly $3.3 billion, deepening and lengthening our economic downturn. We heartily agree with the approach of using the biennium budget as a baseline for balancing the budget. When the governor projected a $1.5 billion budget deficit for the islands, his calculations included new spending included in the FY2020-2021 supplemental budget. Beginning from the biennium budget immediately lowers the deficit by nearly $300 million, making it easier to close the gap without slashing pay and critical community services.

Additionally, we fully concur with the Legislature's push to authorize the executive to borrow up to $2.1 billion from the Federal Reserve's Municipal Liquidity Facility. As we navigate our troubled fiscal terrain, this money could be used to stem anticipated budget shortfalls and plug existing gaps. On December 11, 2019, Gov. Ige announced that Hawai'i had achieved its highest credit rating ever, with Fitch Ratings, an independent credit rating agency, raising the state's rating from AA to AA+. Coupled with the state ratings provided by Moody's Investors Service (Aa1) and Standard & Poor (AA+), these high ratings will reduce borrowing costs for the state, making a loan from the Municipal Liquidity Facility a sensible pathway to pursue to sustain the state's economy.

We also agree with the recovery package's use of CARES Act funds, which will strengthen the Department of Labor's response to the crisis, while protecting public health, especially on the outer islands. Already, DLIR has enhanced its staffing, technology, and processing capacity. Yet, more must be done to ensure an efficient processing of claims under the pandemic unemployment assistance program, which covers independent contractors, gig workers, and self-employed individuals, among others. Extending unemployment benefits to these people requires the establishment of a new processing system for our state's unemployment insurance program, which only became operational at the end of April.

Moreover, rededicating $552 million of CARES Act funds to our state's emergency reserve is a sound move, given our national political volatility. In April, Congress began discussing the possibility of passing an additional federal COVID-19 relief bill that would provide flexible funding for states. All major organizations representing states' interests, including the National Governors Association, have lobbied for the passage of such a measure, with Hawai'i Senator Brian Schatz publicly stating that if enacted, it could contain up to $4 billion worth of flexible relief funding for the islands. Republicans in the United States Senate have expressed opposition to the proposal, however, slowing its progress. Accordingly, federal officials and congressional leaders may be forced to ensure that CARES Act funding can be used to stem budgetary shortfalls wherever they occur, if a deal on a larger relief bill cannot be quickly reached. Unfortunately, the state must leave vacant positions unfunded at this time and trim important services. Some departments, like the Hawai'i Department of Education, are being hit especially hard by the pandemic, with the department projected to incur a budget cut of $150 million or more. If flexible relief funds and/or a loan from the Municipal Liquidity Facility can be obtained, though, then service and personnel cuts implemented at this time may be restored in the future.

Redistributing $25 million from the Mental Health and Substance Abuse Special Fund to COVID-19 response will bolster the efforts enumerated above. That said, the State Auditor recently released report no 20-06, "Report on Special and Revolving Fund Accounts with Inactive or Excess Balances," which identified 64 accounts, idle since FY2015 and with balances that range from $0.96 to $49.88 million, containing $75.4 million (four accounts hold the vast majority–$73.24 million–of the moneys). The Auditor's Office further noted that "of the 1,877 special and revolving fund accounts reviewed, 257–containing more than $2.28 billion–had balances that significantly exceeded expenditures and other outflows." We strongly urge you to consider tapping these unused special fund totals to uplift underfunded programs, whether or not this crisis continues.

Finally, we believe that this crisis has revealed the pitfalls in our status quo. Right now, many frontline workers are risking their health, but lack paid sick leave. If they become ill, then they will have to choose between earning their paychecks or protecting their personal and the public's health. Similarly, working families lack family leave insurance and are unable to care for keiki and kupuna who become infected. Our heavy reliance on tourism to drive Hawai'i's economy has led to massive unemployment. We must diversify the state's economy and grow a green recovery that invests in clean energy, sustainable agriculture, technological innovation, and local entrepreneurship, so that we can ween ourselves off of the fragile tourism spigot. Doing so is the only way to prevent a future economic collapse from pandemics like COVID-19 or hazards resulting from the escalating and existential threat of climate change.

SENATE BILL 3139, SD2, RELATING TO THE STATE BUDGET

MAY 11, 2020 · HOUSE FINANCE COMMITTEE ·
CHAIR REP. SYLVIA LUKE

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports the proposed draft of SB 3139, SD2, relating to the state budget, which makes deposits into the emergency and budget reserve fund by replacing general fund appropriations with general obligation bond proceeds and transferring savings from the Supplemental Appropriations Act of 2020; and transfers excess funds from other sources into the emergency and budget reserve fund.

COVID-19 has decimated our state's and our nation's economy. In Hawai'i, approximately 222,000 unemployment claims had been filed as of last Tuesday, with over $140 million worth of benefits being paid to recipients. Our tourism sector has been completely shuttered by the coronavirus, while retail, service, and hospitality businesses have closed their doors. According to Gov. David Ige, Hawai'i is now facing a budget deficit of $1.5 billion, a number not seen since the Great Recession. The islands, like the rest of the country, are facing a financial crisis that mirrors the Great Depression in the number of lost jobs. Community meals programs line our streets, bringing back memories of breadlines from the 1930s.

We are thankful that the state has crafted an economic response that does not cut critical social services or public sector pay. Cutting pay for public workers would, according to the University of

Hawai’i Economic Research Organization, decrease our state’s gross domestic product by roughly $3.3 billion, deepening and lengthening our economic downturn. We heartily agree with the approach of using the biennium budget as a baseline for balancing the budget. When the governor projected a $1.5 billion budget deficit for the islands, his calculations included new spending included in the FY2020-2021 supplemental budget. Beginning from the biennium budget immediately lowers the deficit by nearly $300 million, making it easier to close the gap without slashing pay and critical community services.

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We also agree with the recovery package’s use of CARES Act funds, which will strengthen the Department of Labor’s response to the crisis, while protecting public health, especially on the outer islands. Already, DLIR has enhanced its staffing, technology, and processing capacity. Yet, more must be done to ensure an efficient processing of claims under the pandemic unemployment assistance program, which covers independent contractors, gig workers, and self-employed individuals, among others. Extending unemployment benefits to these people requires the establishment of a new processing system for our state’s unemployment insurance program, which only became operational at the end of April.

Moreover, rededicating $552 million of CARES Act funds to our state’s emergency reserve is a sound move, given our national political volatility. In April, Congress began discussing the possibility of passing an additional federal COVID-19 relief bill that would provide flexible funding for states. All major organizations representing states’ interests, including the National Governors Association, have lobbied for the passage of such a measure, with Hawai’i Senator Brian Schatz publicly stating that if enacted, it could contain up to $4 billion worth of flexible relief funding for the islands. Republicans in the United States Senate have expressed opposition to the proposal, however, slowing its progress. Accordingly, federal officials and congressional leaders may be forced to ensure that CARES Act funding can be used to stem budgetary shortfalls wherever they occur, if a deal on a larger relief bill cannot be quickly reached. Unfortunately, the state must leave vacant positions unfunded at this time and trim important services. Some departments, like the Hawai'i Department of Education, are being hit especially hard by the pandemic, with the department projected to incur a budget cut of $150 million or more. If flexible relief funds and/or a loan from the Municipal Liquidity Facility can be obtained, though, then service and personnel cuts implemented at this time may be restored in the future.

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Finally, we believe that this crisis has revealed the pitfalls in our status quo. Right now, many frontline workers are risking their health, but lack paid sick leave. If they become ill, then they will have to choose between earning their paychecks or protecting their personal and the public's health. Similarly, working families lack family leave insurance and are unable to care for keiki and kupuna who become infected. Our heavy reliance on tourism to drive Hawai'i's economy has led to massive unemployment. We must diversify the state's economy and grow a green recovery that invests in clean energy, sustainable agriculture, technological innovation, and local entrepreneurship, so that we can ween ourselves off of the fragile tourism spigot. Doing so is the only way to prevent a future economic collapse from pandemics like COVID-19 or hazards resulting from the escalating and existential threat of climate change.

LATE

THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Thirtieth Legislature
Regular Session of 2020

COMMITTEE ON FINANCE
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Date of Hearing: Monday, May 11, 2020
Time of Hearing: 2:00 p.m.
Place of Hearing: Auditorium
State Capitol
415 South Beretania Street

Testimony in Support of S.B.3139 Relating to the State Budget

By Liz Ho
AFSCME Administrator
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

The UPW is the exclusive bargaining representative for approximately 13,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and four counties. The UPW also represents about 1,500 members in the private sector.

The Coronavirus Pandemic has turned the world upside down. It has created devastation with the number of deaths in our country exceeding 79,000, and millions of Americans living on unemployment insurance payments. Only four months ago, Hawaii had one of the lowest unemployment rates (less than 3%) in the country. Today it exceeds 35% with over 240,000 unemployment insurance claims filed.

The UPW supports S.B.3139, SD1, Proposed HD1. We understand that this measure is part of an overall legislative strategy to address the State's financial shortfall resulting from the Coronavirus outbreak. Looking at a combination of vehicles to deal with the budgetary shortfall, while attempting to not increase economic pain, is a constructive approach. It is preferable to more draconian steps such as a direct pay cut for public employees, which the UPW is strongly opposed to.

Use of special funds such as the emergency and budget reserve fund, as well s the use of general obligation bonds, and identification of other "excess funds" are financial options that can be utilized, which the UPW supports.

In summary, we support passage of S.B.1369, SD1, Proposed HD1. Thank you for the opportunity to share our views with the Committee.

LOCAL 152, AFL-CIO

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The Thirtieth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

May 11, 2020

S.B. 3139, S.D. 1, Proposed H.D. 1 – RELATING TO THE STATE BUDGET

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of the proposed H.D. 1 to S.B. 3139, S.D. 1 which makes deposits into the emergency and budget reserve fund by replacing general fund appropriations with general obligation bond proceeds and transfers savings and excess funds into the emergency and budget reserve fund.

We sincerely appreciate the Legislature prioritizing our health and safety and addressing the projected budget shortfall with minimal financial impact to the industries that will lead us out of the anticipated recession. COVID-19 has instantly and dramatically impacted not only our state but the entire world. During this worldwide pandemic, our collective reliance on each other could not be more apparent. Our state must strategize and coalesce behind a multipronged approach to lay the foundation of our financial future, including seeking unrestricted federal funding via a supplemental Coronavirus Aid, Relief, and Economic Security (CARES) Act, utilizing the Federal Reserve Bank Municipal Liquidity Facility, and transferring money from special funds and underutilized funds, as this measure does.

We strongly oppose and object to Governor Ige's proposed 20% pay cut and furlough plan. Now is not the time to slash the salaries of your frontline employees who are sacrificing their own health and safety to ensure the health and safety of our community. Local and national economists agree that we cannot afford to cut our way to economic stability. The University of Hawaii Economic Research Organization (UHERO), projects that the Administration's proposed 20% salary cut would lead to a staggering $3.3 billion drop in gross domestic product over the next two years. We continue to emphasize the devastating, and likely permanent, effect that the proposed cuts will have on our economy.

All stakeholders must work in partnership to ensure our economic recovery and we must remain committed to protecting and funding our frontline employees. Thank you for the opportunity to testify in strong support of the innovative solutions contained in the proposed H.D. 1 to S.B. 3139, S.D. 1.