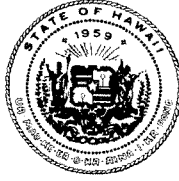




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STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 26, 2009

MEMORANDUM

TO: Honorable Marcus R. Oshiro, Chair  
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 1064 – MAKING AN EMERGENCY APPROPRIATION FOR THE  
DEPARTMENT OF HUMAN SERVICES TO ADDRESS THE BUDGET  
SHORTFALL**

Hearing: Thursday, February 26, 2009 4:00 p.m.  
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is authorize an emergency appropriation from the Emergency and Budget Reserve Fund to replace general funds appropriated for the health care payments program (HMS 401) to address the budget shortfall in fiscal year 2008-2009.

DEPARTMENT'S POSITION: The Department of Human Services defers to the Department of Budget and Finance on this bill.

Thank you for this opportunity to testify.

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 1064

February 26, 2009

MAKING AN EMERGENCY APPROPRIATION FOR THE DEPARTMENT OF  
HUMAN SERVICES TO ADDRESS THE BUDGET SHORTFALL

House Bill No. 1064 appropriates \$60 million from the Emergency and Budget Reserve Fund to replace general funds that are currently appropriated for the health care payments program for Fiscal Year 2009. This appropriation is needed to assist in addressing the critical budget shortfall facing the State in Fiscal Year 2009.

When the Fiscal Biennium 2009-11 Executive Budget was submitted, we projected a general fund balance of \$42.5 million at the end of Fiscal Year 2009. However, at its January 2009 meeting, the Council on Revenues reduced its general fund tax revenue projections by \$116.0 million for Fiscal Year 2009. Together with reductions in general fund non-tax revenue projections, if no corrective action is taken, we face a deficit of \$75.6 million in the general fund balance by the end of Fiscal Year 2009.

To meet this deficit, we are proposing the following actions:

1. Use an additional \$20 million from the Emergency and Budget Reserve Fund in Fiscal Year 2009 instead of in Fiscal Year 2010 as originally planned; this brings the total Fiscal Year 2009 appropriations from the Emergency and Budget Reserve Fund to \$60 million (as proposed in this bill).
2. Impose an additional 2% restriction on Fiscal Year 2009 discretionary funds for the Executive Branch.

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3. \$31 million federal Medicaid reimbursement of Fiscal Year 2008 expenditures.
4. Accelerate the transfer of \$14 million of excess revenues from the Unclaimed Property Trust Fund and the Public Utilities Commission Special Fund from Fiscal Year 2010 to Fiscal Year 2009.
5. Use federal funds provided by the American Recovery and Reinvestment Act of 2009 to replace general funds. We are currently working with the departments to determine the amount and use of such funds.

Along with House Bill No. 1065, which appropriates \$15 million from the Emergency and Budget Reserve Fund to replace general funds for the health care payments program for Fiscal Year 2010, this bill is a vital part of our efforts to address the budget shortfall and will help to ensure that the State is operating within a balanced budget.



House FIN committee  
THURS, Feb 26, 2009  
4:00 pm  
room 308

National Association of Social Workers

Hawaii Chapter

February 25, 2009

TO: Rep. Marcus Oshiro, Chair  
Members of the House Finance Committee

FROM: Debbie Shimizu, LSW  
National Association of Social Workers, Hawaii Chapter

RE: HB 1065 HD1 and HB 1064 Making an Emergency Appropriation for the Department of Human Services to Address the Budget Shortfall- **OPPOSED**

Chair Oshiro and members of the House Finance Committee, I am Debbie Shimizu, Executive Director of the National Association of Social Workers (NASW), Hawaii Chapter **testifying in OPPOSITION to HB 1065 HD1 and HB 1064.**

**We prefer SB 1679 relating to the Emergency and Budget Reserve Fund.**

On Tuesday, Feb 10<sup>th</sup> in a hearing of the Senate Health and Human Services Committees, the state budget director testified that the administration wanted to use \$60 million from the Emergency and Budget Reserve Fund to make up the budget shortfall THIS fiscal year (08-09) and \$15 million from the fund to balance the budget for the 09-10 fiscal year. This is what HB 1065 HD1 and HB 1064 proposes to do. Both bills will ultimately deplete the entire fund.

Language from 328L-3 relating to the Emergency and Budget Reserve Fund states that *"the legislature may make appropriations from the fund for the following purposes:*

- (1) To maintain levels of programs determined to be essential to public health, safety, welfare, and education;*
- (2) To provide for counter cyclical economic and employment programs in periods of economic downturn;*
- (3) To restore facilities destroyed or damaged or services disrupted by disaster in any county; and*
- (4) To meet other emergencies when declared by the governor or determined to be urgent the legislature".*

Furthermore, it states that, *"Any act making appropriations from the emergency and budget reserve fund shall include a declaration of findings and purposes setting forth the purposes, the amounts, and the reasons why the appropriations are necessary..."*

HB 1065 HD1 and HB 1064 state that the emergency appropriation requested in these bills will *"be used as a source of funding to replace the general funds that are currently being appropriated for the health care payments program"*

This is clearly an inappropriate use of the Emergency and Budget Reserve Fund. We believe SB 1679 is a more appropriate use of the fund and hope you will consider SB1679 if it passes over from the Senate.

Thank you for this opportunity to testify.