

REVIEW

VOL. LIII, No. 2

**TAX FOUNDATION
OF HAWAII**

October 2005

HAWAII STATE REVENUES AND EXPENDITURES

TWENTY-THIRD STATE OF HAWAII LEGISLATURE 2005

STATE OF HAWAII GENERAL FUND OUTLOOK			
Revenues and Appropriations			
Fiscal 2005-2007 (Dollars in millions)			
	2005	Projected	
		2006	2007
REVENUES			
Taxes (est)	\$ 3,997.5	\$ 4,237.6	\$ 4,515.4
Non-Tax	494.6	424.7	425.1
TOTAL REVENUES	\$ 4,492.1	\$ 4,662.3	\$ 4,940.5
EXPENDITURES			
Executive Branch Budget	\$ -	\$ 4,423.0	\$ 4,523.7
<i>Collective Bargaining Cost Increases</i>		183.1	194.7
Legislative Expenses	-	24.7	25.9
Judiciary Budget	-	122.3	122.1
Office of Hawaiian Affairs Budget	-	2.9	2.9
2005 Specific Appropriations	73.5	5.6	3.2
2005 Collective Bargaining Cost Increase App.	9.3	70.3	205.9
2005 Emergency Appropriations	48.7	-	-
Appropriations Made in Prior Years	4,147.7	-	-
TOTAL AUTHORIZED EXPENDITURES	\$ 4,279.2	\$ 4,648.8	\$ 4,883.7
Less Administration Restrictions/Lapses	(89.0)	(35.8)	(40.0)
TOTAL EXPENDITURES	\$ 4,190.2	\$ 4,613.0	\$ 4,843.7
SURPLUS OR (DEFICIT)			
Beginning Balance	\$ 184.6	\$ 486.5	\$ 535.8
Year End Result	301.9	49.3	96.8
CUMULATIVE SURPLUS OR (DEFICIT)	\$ 486.5	\$ 535.8	\$ 632.6
Year End Result as Percent of Total Revenues	10.8%	11.5%	12.8%

As the general fund outlook above shows, the general fund is projected to run surpluses in excess of 5% of general fund revenues for the past fiscal year as well as for the next two fiscal years of the fiscal biennium. This projection is based on the biennial budget and specific appropriations as approved by the 2005 session of the legislature and the September 2005 state Council on Revenues' upward revision in general fund tax revenue growth. With increased visitor arrivals and a more robust Hawaii economy, revenues increased 16% between fiscal 2004 and 2005. However, the Council on Revenues has taken a more cautious approach for fiscal years 2006 and 2007, forecasting that general fund tax revenues will grow by a more modest 6.0% and 6.6% growth rate respectively. This healthy surplus will, no doubt, tempt lawmakers and administration officials to add new programs and services to the state's spending plan in the coming session. Regardless, lawmakers will have to provide for a tax refund or tax credit as mandated by the state constitution as the general fund balance will have exceeded 5% of general fund revenues in two consecutive years.

NEW TAX LAWS ENACTED

Administration Proposals - Department of Taxation

The department of taxation submitted nine measures for consideration in the 2005 legislative session. The administration proposed to provide economic relief for taxpayers earning up to \$40,000 with a refundable tax credit of \$27 per qualified exemption for 2005 (\$55 in 2006) for food, medical services, and nonprescription drugs. Due to the state's financial crisis in the mid-90's, a similar credit was repealed and replaced with an inversely graduated low-income refundable tax credit ranging from \$35 for taxpayers with under \$10,000 in adjusted gross income (AGI) to \$10 for those with AGI under \$20,000. Had this measure been enacted into law, it would have allowed low-income taxpayers to claim an additional credit to further alleviate their tax burden.

Another administration-sponsored measure that proposed tax relief was a measure that would have increased the standard deduction while another measure would have established a refundable tax credit for the purchase of long-term care insurance. These measures did not survive the various legislative hurdles. Also left on the cutting room floor was an administration-sponsored measure that would have conformed state laws to the federal with respect to the promotion of abusive tax shelters, making false statements, and making gross overstatements or omissions of income.

When the final gavel of the 2005 legislature fell, only three department of taxation measures survived the session. One was the annual conformity measure that updates Hawaii income tax law to newly adopted changes in the federal income tax laws (Act 60). Another measure clarified that employers with large withholding liabilities would have three banking days within which to remit those taxes became Act 27. The last measure that relates to the withholding of payment for sales of real property by nonresidents to insure that a nonresident single member limited liability company that does not elect to be taxed as a corporation will also be subject to the withholding requirements became Act 23.

Administration Proposals - Other Departments

Other state departments, in addition to the department of taxation, submitted tax-related measures during the 2005 legislative session. The department of business, economic development and tourism (DBEDT) submitted five measures. One measure would have extended the tax incentives for agricultural businesses in an enterprise zone for the duration of a "force majeure." Another measure proposed a nonrefundable credit for business research institutes of 20% of all qualified expenditures while another proposed an increase in the credit for motion picture and television expenditures made in the state from 4% to 15% on Oahu and to 20% on the Neighbor Islands. These measures did not survive the legislative session nor did a measure allowing taxpayers subject to the insurance premiums tax to qualify for tax credits issued to the Hawaii strategic development corporation. A measure submitted by DBEDT which increased the amount of transient accommodations tax (TAT) revenues to be deposited into the convention center fund and the amount deposited into the tourism special fund while decreasing the amount of TAT revenues going into the TAT trust fund was also rejected. A similar measure that increased the amount of TAT revenues deposited to the tourism special fund providing that 90% of the first \$1 million deposited into the fund shall be deposited into the

state parks fund with the remaining 10% deposited into the special land and development fund for the trails and access program was approved by the legislature and became law as Act 235 without the governor's signature.

The office of the attorney general proposed a measure to require retailers of cigarettes and other tobacco products to be licensed annually and be subject to an annual fee for each retail location. A fee of \$100 was proposed in one draft of the measure. At the end of the legislative session the fee was set at \$20 per year per retail establishment. This measure became Act 131.

A measure submitted by the state department of defense proposed to exempt motor vehicles registered to national guard and armed forces reserves from the state vehicle weight tax and the state registration fee. This measure did not survive the legislative hurdles.

The department of human services submitted a measure that proposed a general excise and use tax exemption for the first 2,500 affordable rental units certified and completed by December 31, 2007 in order to increase the inventory of affordable rental housing. The measure also proposed to increase the amount of conveyance tax revenues deposited into the rental housing trust fund from 25% to 50%. Although this measure was not adopted, another measure was passed by the 2005 legislative session which proposed similar provisions. Act 196 extends the general excise tax exemption for developers who construct low-income housing where 50% of the units are for persons with incomes below 80% of the area median family income, and of that amount 20% are for those with incomes at or below 60% of the area median family income. This Act also increases the low-income housing credit from 30% to 50% and exempts from the conveyance tax property certified by the HCDA as low-income housing developments.

Non Administration Proposals

The "no tax increase" pledge of the state administration collapsed as lawmakers approved a measure to allow the counties to increase the general excise and use tax by 0.5% in order to pay for the cost of a "locally preferred alternative" for a mass transit project in the City and County of Honolulu or for public transportation systems on the Neighbor Islands. Act 247, which became law without the governor's signature, allows the counties to impose the surcharge on the general excise tax of up to 0.5%; however, the counties must adopt an ordinance imposing the surcharge by December 31, 2005 which would then kick in on January 1, 2007. The Honolulu city council wasted no time in pushing through an ordinance without any plan, design, nor with any definitive details as to the type of mass transit system or even a corridor layout as to where it will run. The additional surcharge will not be imposed on goods and services taxed at the 0.5% wholesale rate or taxpayers taxed at the .15% rate. While the City and County of Honolulu was the first county to pass an ordinance to approve the additional imposition, it appears that none of the Neighbor Island counties will follow suit which will result in a dual rate for retail sales of goods and services depending on where the goods are sold or the services are rendered.

Another "tax increase" measure approved by the 2005 legislature and signed into law increases the conveyance tax from 10 cents per \$100 of conveyance to 20 cents per \$100 for conveyances between \$600,000 and \$1 million; and 30 cents per \$100 for conveyances in excess of \$1 million. Conveyance of properties valued under \$600,000 remains subject to the rate of 10 cents per \$100. Purchasers of residential property, be they condominiums or single family residences, who do not qualify for a homeowners' exemption are subject to the conveyance tax of 15 cents per \$100 for properties valued up to \$600,000, 25 cents per \$100 for properties valued between \$600,000 and \$1 million, and 35 cents per \$100 for properties valued over \$1 million. Act 156, which took effect on July 1, 2005, also earmarks 10% of conveyance tax revenue to a land conservation fund and increases the amount earmarked to the rental housing trust fund from 25% to 30%. It should be remembered that the conveyance tax was: (1) never intended to be a revenue resource, (2) initially imposed at the rate of five cents per \$100; (3) was entirely a receipt of the general fund; and (4) was designed to provide the department of taxation with a means to determine the market value of properties transferred.

Other measures merely clarify the application of existing tax laws. Act 167 allows a taxpayer to appeal the denial of a refund of taxes administered under Title 14 with any appeal awarded only if the claim was filed during the applicable statutory period of limitation and is to be applied prospectively. Act 146 amends the definition of "gross income" under the public service company tax law to include the gross income received by a

private sewer company. Under this act, a private sewer company would be deemed a public utility and taxed along with other public utilities. Public utilities are subject to the public service company tax at 5.885% of gross income in lieu of general excise and real property taxes. Prior to Act 146, the definition of gross income for the purpose of the public service company tax did not include income received by a private sewer company.

Two measures were vetoed by the governor and the vetoes overridden in a special legislative session. A measure authorizing the sharing of income and general excise tax return information with the counties and in return the counties would share real property tax information with the state was vetoed by the governor due to confidentiality concerns. The governor's veto message also stated that the measure did not contain any penalties for unauthorized disclosure of such information. The governor's veto was overridden and the measure became Act 9 of the special legislative session.

The other measure vetoed by the governor required the department of taxation to identify issues that need to be resolved to effectuate the orderly enactment and operation of a streamlined sales and use tax based on the streamlined sales tax project (SSTP) model agreement and act. The measure repealed the streamlined sales and use tax advisory council and adopted provisions to ensure compliance with the streamlined sales and use tax agreement. The measure requires the senate president and house speaker to select three designees each to identify these issues and carry out briefings for the legislature on the tax department's efforts to comply with this effort. The measure also makes it unlawful for any private contractor to inspect the tax return of any taxpayer other than for the purposes of conforming to the state general excise and use taxes to be operative with the streamlined sales tax project's model agreement and act. The governor vetoed this measure because ". . . it hinders the Executive Branch's responsibility to bring Hawaii in compliance with the SSTP agreement." The governor's nominees for the streamlined sales and use tax advisory council were confirmed in late April and when this measure became law the advisory council was dissolved. The governor also expressed reservations about providing access to confidential tax return information to third parties without explicit restrictions on disclosure. Despite the governor's objections, the special session of the legislature overrode the governor's veto and this measure became Act 3 of the 2005 special session.

A measure which proposed an income tax exclusion of 50% of the income derived from the sale of a leased fee interest in a multi-family residential leasehold unit or residential leasehold lot by a fee owner was vetoed by the governor. Unlike the other two vetoed measures, this measure was not overridden by the special session. This measure proposed an incentive in the form of an income tax exclusion to encourage the fee owner of a leased fee interest in a residential house lot or multi-family residential unit to sell the fee interest in their real property to the lessee. The governor vetoed this measure since the aggregate cap was too low to promote widespread leasehold conversion. The sale of one or two units would reach the aggregate limit in the measure. The governor's veto message also stated that: (1) the measure did not contain any criteria or guidelines that could be used by the department of taxation to determine which fee owners qualify for the exclusion and could result in tax appeals and litigation; and (2) the burden on the department of taxation to administer the measure for a year could not be justified.

Another tax measure signed into law was Act 67 which makes permanent the provision stipulating that the rental motor vehicle surcharge tax shall not be imposed on a rented vehicle while the lessee's vehicle is being repaired. This provision was added to the law by Act 223, SLH 1999, which also increased the rental motor vehicle surcharge tax from \$2 to \$3 per day between September 1, 1999 and August 31, 2007. While this measure had also proposed to reduce the \$3 per day fee, the rate reduction provision failed to pass the 2005 legislative session.

It has been a challenge for this Republican administration to navigate the legislative maze which is controlled by a Democratic majority in both houses. The administration's legislative proposals were regularly found at the end of hearing agendas, if they were heard at all. Although many of the concepts proposed by the administration were approved, they were not passed in the vehicles introduced but "stuffed" into other measures, thereby not allowing the administration to take credit for such concepts. As the Lingle administration is about three-quarters of the way through its four-year term, it has certainly been a challenge to win support in a heavily Democratic political arena.

COLLECTIVE BARGAINING

Lawmakers approved \$735.4 million in general, special, federal, and other funds for the fiscal biennium 2005-2007. Of this amount, general funds accounted for \$654 million or 89% of the monies allocated for collective bargaining pay raises.

In addition, \$9.3 million in general funds was designated as emergency appropriations for fiscal 2005 which is not reflected in the table below. HB 684, HD-1 appropriated \$2.1 million to fund collective bargaining costs for ambulance service providers (city and county of Honolulu on Oahu and American Medical Response on Maui and Kauai) contracted by the state to provide ambulance services. HB 624, SD-1 appropriated \$7.2 million in general funds and \$2.6 million in special, federal and other funds to fund collective bargaining agreements for Unit 1 (blue-collar nonsupervisory employees) and Unit 10 (institutional health and correctional workers and similar excluded employees) since the collective bargaining negotiations were not concluded until after the adjournment of the 2004 legislative session.

The following table reflects collective bargaining costs for the 2005-2007 fiscal biennium:

Collective Bargaining Cost Items
2005 -2007 Fiscal Biennium
(In Thousands)

Bill Number	Category	FY 2006			FY 2007			Biennium		
		General	Special	All Other	General	Special	All Other	General	Special	All Other
HB 100, CD-1	General Appropriations Act	\$ 183,142.0	\$ 9,838.5	\$ 10,675.3	\$ 194,652.3	\$ 12,082.9	\$ 10,764.6	\$ 377,794.3	\$ 21,921.3	\$ 21,439.9
	Economic Development	1,020.5	334.1	235.5	1,020.5	334.1	235.5	2,041.1	668.2	471.0
	Employment	778.1	33.3	1,896.6	778.1	33.3	1,896.6	1,556.2	66.5	3,793.3
	Transportation	---	6,447.7	15.3	---	6,447.7	15.3	---	12,895.3	30.6
	Environmental Protection	1,225.7	223.3	255.1	1,226.5	223.3	255.1	2,452.2	446.6	510.3
	Health	24,118.3	113.9	13.8	24,135.9	113.9	13.8	48,254.3	227.8	27.6
	Social Services	3,684.5	245.0	3,486.0	3,684.7	245.0	3,486.0	7,369.2	490.0	6,972.1
	Formal Education	84,030.7	514.6	3,117.9	94,858.4	2,759.0	3,207.3	178,889.1	3,273.6	6,325.1
	Culture & Recreation	293.2	376.2	49.6	293.2	376.2	49.6	586.3	752.4	99.2
	Public Safety	8,830.1	27.7	749.5	8,830.1	27.7	749.5	17,660.2	55.4	1,499.0
	Individual Rights	557.2	1,347.1	27.2	580.7	1,347.1	27.2	1,137.8	2,694.2	54.3
	Government-Wide Support	58,603.7	175.6	828.7	59,244.2	175.6	828.7	117,848.0	351.3	1,657.4
SB 944, CD-1	Unit 1 "blue collar, nonsupervisory employees," Unit 10 "institutional health and correctional workers" and excluded employees	9,362.6	1,392.4	484.7	23,512.3	3,445.5	1,206.3	32,875.0	4,837.9	1,691.0
SB 945, CD-1	Unit 5 "teachers" and excluded employees	20,434.5	---	---	77,125.2	---	---	97,559.7	---	---
SB 1579, CD-1	Unit 1 "blue collar, nonsupervisory employees," Unit 10 "institutional health and correctional workers" and excluded employees	2,071.0	---	---	4,598.3	---	---	6,669.3	---	---
SB 1580, CD-1	Unit 5 "teachers" and excluded employees	455.7	---	---	4,204.3	---	---	4,660.0	---	---
HB 260, CD-1	Unit 11 "firefighters" and excluded employees	106.4	447.1	---	267.3	1,231.3	---	373.7	1,678.5	---
HB 263, CD-1	Unit 2 "blue collar supervisory," 3 "white collar nonsupervisory," 4 "white collar supervisory," 6 "educational officers and other DOE employees," 8 "non-faculty UH," and 13 "professional and scientific" increased health costs, excluded employees	29,181.5	3,112.6	5,223.4	73,162.8	7,673.1	13,157.0	102,344.3	10,785.6	18,380.4
HB 1597, CD-1	Unit 9 "Registered professional nurses" increased salary and health cost increases, excluded employees	3,497.1	5.0	136.9	11,489.1	13.9	427.5	14,986.2	18.8	564.4
HB 1599, CD-1	Unit 2 "blue collar supervisory," 3 "white collar nonsupervisory," 4 "white collar supervisory," 6 "educational officers and other DOE employees," 8 "non-faculty UH," and 13 "professional and scientific" increased health costs, excluded employees	5,226.9	---	---	11,576.4	---	---	16,803.3	---	---
Sub-Total Collective Bargaining		\$ 253,477.8	\$ 14,795.5	\$ 16,520.3	\$ 400,587.9	\$ 24,446.6	\$ 25,555.5	\$ 654,065.7	\$ 39,242.2	\$ 42,075.8
TOTAL			\$284,793.6			\$450,590.0			\$735,383.6 *	

* Does not include emergency appropriation measures for fiscal 2005: HB 624, SD-1 and HB 684, HD-1.

APPROPRIATIONS FOR OPERATIONS

General Fund

HB 100, CD-1 (Act 178) "General Appropriations Act of 2005"

The General Appropriations Act of 2005 is the state executive branch operating budget for fiscal years 2006 and 2007. The measure is often referred to as the "state biennial budget" or "state budget" for short. Lawmakers appropriated \$4,422,924,884 in fiscal 2006 and \$4,523,692,075 in fiscal 2007. The Formal Education program area, which includes the statewide public school system and the University of Hawaii system, accounted for more than 53% of general funds appropriated.

HB 100, CD-1 "General Appropriations Act of 2005" By Fiscal Year

Program Area	FY 2006	FY 2007	Total Biennium	% of Total
Economic Development	\$ 21,605,209	\$ 21,052,172	\$ 42,657,381	0.5
Employment	21,420,422	21,106,478	42,526,900	0.5
Transportation	-	-	-	0.0
Environmental Protection	22,291,660	22,349,300	44,640,960	0.5
Health	394,935,663	400,588,586	795,524,249	8.9
Social Services	658,346,301	672,920,597	1,331,266,898	14.9
Formal Education	2,386,346,653	2,426,703,315	4,813,049,968	53.8
Culture and Recreation	10,465,729	10,165,729	20,631,458	0.2
Public Safety	188,640,335	190,123,655	378,763,990	4.2
Individual Rights	9,672,408	9,712,924	19,385,332	0.2
Government-Wide Support	709,200,504	748,969,319	1,458,169,823	16.3
TOTAL	\$ 4,422,924,884	\$ 4,523,692,075	\$ 8,946,616,959	100.0

Some of the programs and activities funded by HB 100, CD-1 are listed below:

Economic Development

The program area includes state programs which foster economic growth in the state, including business marketing, agricultural support, energy development, fisheries and economic research. Tourism promotion activities are economic development activities but are funded with non-general fund sources. General fund program appropriations include: Collective bargaining costs, \$1,020,530 in each fiscal year; irrigation system revolving fund, \$425,000 in each fiscal year; and the Hawaii agricultural development revolving fund, \$140,558 in each fiscal year.

	FY 2006	FY 2007	Total Biennium
Economic Development	\$ 21,605,209	\$ 21,052,172	\$ 42,657,381
Business Development	6,608,555	6,283,555	12,892,110
Tourism	25,000	-	25,000
Agriculture	12,011,576	12,045,416	24,056,992
Fisheries & Aquaculture	1,212,974	1,212,974	2,425,948
Technology	1,199,771	936,930	2,136,701
Water and Land Development	285,052	285,052	570,104
Special Community Development	262,281	288,245	550,526

Employment

This program area includes occupational safety and job training and placement. Employment insurance programs and disability are non-general fund programs. General fund appropriations include: Collective bargaining costs, \$778,097 in each fiscal year; and boiler and elevator safety, \$857,276 in each fiscal year.

	FY 2006	FY 2007	Total Biennium
Employment	\$ 21,420,422	\$ 21,106,478	\$ 42,526,900
Full Opportunity to Work	523,199	473,199	996,398
Occupational Safety	1,918,306	1,918,306	3,836,612
Fair and Just Empl. Practices	2,742,665	2,742,665	5,485,330
Asst. in Work Related Difficulties	8,912,918	8,948,974	17,861,892
Overall Program Support	7,323,334	7,023,334	14,346,668

Transportation

This program area does not receive any general fund appropriations.

Environmental Protection

The environmental protection program area provides regulation and enforcement of pollution laws and conservation of natural resources. General fund appropriations include: Collective bargaining costs, \$1,225,669 in fiscal 2006 and \$1,226,495 in fiscal 2007; and invasive species programs, \$2,000,000 in each fiscal year.

	FY 2006	FY 2007	Total Biennium
Environmental Protection	\$ 22,291,660	\$ 22,349,300	\$ 44,640,960
Pollution Control	4,061,601	4,062,204	8,123,805
Preservation and Enhancement	15,229,703	15,286,517	30,516,220
Gen.Supp. for Nat. Physical Env.	3,000,356	3,000,579	6,000,935

Health

This program area encompasses a wide range of functions including disease prevention and control, the state community hospital system, drug abuse prevention, nutritional programs, and other public health programs. General fund appropriations include: Collective bargaining costs, \$24,118,337 in fiscal 2006 and \$24,135,936 in fiscal 2007; Maui aeromedical helicopter services and personnel, \$1,000,000 in each fiscal year; alcohol and drug abuse divisions, \$7,292,929 in fiscal 2006, \$9,193,224 in fiscal 2007; school-based treatment services for public high schools, \$990,000 in each fiscal year; intermediate and middle-schools school based alcohol and drug treatment services, \$320,000 in fiscal 2006, \$1,280,000 in fiscal 2007; emergency medical services and injury prevention system, \$42,104,770 in each fiscal year; Hawaii health systems corporation, \$32,280,041 in fiscal 2006 and \$34,154,041 in fiscal 2007; adult mental health (inpatient and outpatient), \$110,950,954 in fiscal 2006 and \$110,542,168 in fiscal 2007; and child and adolescent mental health, \$49,389,054 in fiscal 2006 and \$48,934,743 in fiscal 2007.

	FY 2006	FY 2007	Total Biennium
Health	\$ 394,935,663	\$ 400,588,586	\$ 795,524,249
Health Resources	157,544,892	156,774,340	314,319,232
Hospital Care - HI Health Sys.	32,280,041	34,154,041	66,434,082
Behavioral Health	182,079,112	186,593,604	368,672,716
Environmental Health Services	13,502,108	13,504,568	27,006,676
Overall Program Support	9,529,510	9,562,033	19,091,543

Social Services

The programs in this program area provide direct monetary support as well as services to needy families and individuals. General fund appropriations include: Collective bargaining costs, \$3,684,519 in fiscal 2006 and \$3,684,717 in fiscal 2007; homeless stipend program, outreach program, and homeless grant program, \$1,650,000 in each fiscal year; nursing homes without walls and residential alternative community care programs, \$15,121,379 in fiscal 2006 and \$15,715,448 in fiscal 2007; and the executive office on aging, \$6,146,597 in fiscal 2006 and \$6,146,625 in fiscal 2007.

	FY 2006	FY 2007	Total Biennium
Social Services	\$ 658,346,301	\$ 672,920,597	\$ 1,331,266,898
Services to Ind. and Families	106,232,066	111,083,527	217,315,593
Assured Standard of Living	500,887,495	509,829,748	1,010,717,243
Temp. assist. - needy	17,996,077	17,996,077	35,992,154
Temp. assist. - other needy	31,164,660	31,164,660	62,329,320
General assist. payments	18,764,891	18,764,891	37,529,782
Health care payments	240,191,626	240,301,007	480,492,633
QUEST health insurance	150,853,551	158,728,070	309,581,621
Other Assured Standard	41,916,690	42,875,043	84,791,733
Hawaiian Homesteads	817,559	817,559	1,635,118
Overall Program Support	50,409,181	51,189,763	101,598,944
Health care payments	30,384,730	31,082,852	61,467,582
Benefits, employment	20,024,451	20,106,911	40,131,362

Formal Education

The public schools, the state library system and the University of Hawaii are funded within this program area. General fund appropriations for lower education include: Collective bargaining cost items, \$84,030,695 in fiscal 2006 and \$94,858,356 in fiscal 2007; health and other benefits provided by the Hawaii employer-union health benefits trust fund or the voluntary employees' beneficiary association trust (VEBA), \$161,603,234 in fiscal 2006 and \$169,613,231 in fiscal 2007; pension accumulation contributions for department of education employees and participating employees of charter schools, \$128,039,679 in fiscal 2006 and \$129,934,666 in fiscal 2007. Higher education general fund appropriations include: Collective bargaining cost items, \$20,090,565 in fiscal 2006 and \$28,591,153 in fiscal 2007; allocation to the John A. Burns school of medicine, \$34,200,000 in fiscal 2006 and \$19,961,753 in fiscal 2007; cleaning, repairing, or replacing damaged or destroyed UH property damaged by the October 2004 flood, \$31,000,000; pension accumulation contributions for UH employees, \$53,788,061 in fiscal 2006 and \$55,463,451 in fiscal 2007; Social Security/Medicare contributions for UH employees, \$29,284,904 in fiscal 2006 and \$30,625,909 in fiscal 2007.

	FY 2006	FY 2007	Total Biennium
Formal Education	\$ 2,386,346,653	\$ 2,426,703,315	\$ 4,813,049,968
Lower Education	1,795,439,147	1,838,667,089	3,634,106,236
School-based budgeting	1,207,587,227	1,249,534,985	2,457,122,212
Comp. support services	333,716,834	333,930,126	667,646,960
State and district admin.	32,399,578	32,399,578	64,799,156
School support	159,244,669	160,311,561	319,556,230
Charter Schools	30,796,584	30,796,584	61,593,168
Other educ. programs	5,573,494	5,573,494	11,146,988
Public libraries	26,120,761	26,120,761	52,241,522
Higher Education	590,907,506	588,036,226	1,178,943,732
UH Manoa	222,737,245	191,974,693	414,711,938
UH Hilo and West Oahu	24,603,277	25,165,426	49,768,703
Community colleges	78,402,061	79,367,308	157,769,369
Systemwide support	264,527,756	290,891,632	555,419,388
Small bus. development	637,167	637,167	1,274,334

Culture and Recreation

This program area includes the park system, recreational programs and grants to cultural organizations. General fund appropriations include: Collective bargaining cost items, \$293,170 in each fiscal year; Honolulu Symphony Society grant-in-aid, \$100,000 in each fiscal year; Hawaii Alliance for Arts education grant-in-aid, \$100,000 in each fiscal year; Filipino Community Center grant-in-aid, \$200,000 in fiscal 2006; and the Kona Historical Society grant-in-aid, \$100,000 in fiscal 2006.

	FY 2006	FY 2007	Total Biennium
Culture and Recreation	\$ 10,465,729	\$ 10,165,729	\$ 20,631,458
Cultural Activities	3,971,316	3,671,316	7,642,632
Performing & visual arts	2,447,544	2,247,544	4,695,088
Other cultural activities	1,523,772	1,423,772	2,947,544
Recreational Activities	6,494,413	6,494,413	12,988,826
Parks dev. and operations	4,907,328	4,907,328	9,814,656
Other	1,587,085	1,587,085	3,174,170

Public Safety

This program area includes the state prison system, civil defense, and national guard functions. General fund appropriations include: Collective bargaining cost items, \$8,830,000 in each fiscal year; mainland prison contracts for transportation and housing, \$39,576,120 in fiscal 2006, \$40,724,428 in fiscal 2007; housing of inmates at Hawaii based federal detention centers at mainland facilities, \$7,405,978 in fiscal 2006 and \$7,572,582 in fiscal 2007; substance abuse treatment, sex offender treatment, transition skill, and job development, and mental health treatment programs for the pretrial, incarcerated, and parolee populations, \$918,401 in each fiscal year; and relief from major physical disasters, \$500,000 in each fiscal year.

	FY 2006	FY 2007	Total Biennium
Public Safety	\$ 188,640,335	\$ 190,123,655	\$ 378,763,990
Safety from Criminal Actions	180,514,507	182,084,001	362,598,508
Confinement	106,885,222	106,840,222	213,725,444
Oahu Com. Correctional	23,403,362	23,388,362	46,791,724
Halawa Correc. Facil.	19,446,828	19,446,828	38,893,656
Other confinement	64,035,032	64,005,032	128,040,064
Enforcement	11,038,179	11,325,707	22,363,886
Parole Super., & Counseling	3,500,239	3,500,239	7,000,478
Gen. Supp. - Criminal Action	59,090,867	60,417,833	119,508,700
Safety from Physical Disasters	8,125,828	8,039,654	16,165,482

Individual Rights

Business regulation and regulation of professionals and certain occupations are included in this program area. Consumer protection programs, information practices, the public defender's office, and measurement standards are funded by general funds. General fund appropriations include: Collective bargaining cost items, \$557,157 in fiscal 2006 and \$580,687 in fiscal 2007; and an additional position for the office of the public defender (Hilo), \$44,837 in fiscal 2006 and \$61,823 in fiscal 2007.

	FY 2006	FY 2007	Total Biennium
Individual Rights	\$ 9,672,408	\$ 9,712,924	\$ 19,385,332
Consumer-fair business prac.	671,431	671,431	1,342,862
Enforcement of Info.Practices	385,587	385,587	771,174
Legal and Judicial Protection	8,615,390	8,655,906	17,271,296
Legal asst. in criminal actions	8,517,898	8,558,414	17,076,312
Comm. on status of women	97,492	97,492	194,984

Government-Wide Support

This program area encompasses the management functions of state government, such as the offices of the governor and lieutenant governor, legal, accounting, tax collection, human resources, and facilities management and maintenance. General fund appropriations include: Collective bargaining cost items, \$58,603,713 in fiscal 2006 and \$59,244,242 in fiscal 2007; drug abatement unit, \$150,000 in fiscal 2006; additional positions in the office of the attorney general, \$89,000 in fiscal 2006 and \$111,080 in fiscal 2007; information processing services/telecom for telecom site land and leases, \$119,000 in each fiscal year; additional funds to replace obsolete telecommunications equipment, \$125,000 in each fiscal year; and disaster recovery site study, \$108,800 in fiscal 2006.

	FY 2006	FY 2007	Total Biennium
Government-Wide Support	\$ 709,200,504	\$ 748,969,319	\$ 1,458,169,823
Exec. Direction, Coord.& Policy	162,056,701	169,060,816	331,117,517
Office of the governor	3,174,794	3,174,794	6,349,588
Policy devel. and coord.	155,415,407	162,819,510	318,234,917
Office of elections	2,851,773	2,451,785	5,303,558
Office of the lieut. gov.	614,727	614,727	1,229,454
Fiscal Management	258,631,882	286,638,220	545,270,102
Revenue collection	21,674,013	21,356,853	43,030,866
Fin. admin. Incl. debt service	233,885,233	262,208,731	496,093,964
Fiscal proced. and control	3,072,636	3,072,636	6,145,272
General Services	287,281,921	292,040,283	579,322,204
Legal Services	18,351,296	18,233,648	36,584,944
Info. processing services	15,630,748	15,320,748	30,951,496
Personnel services	15,963,323	15,963,323	31,926,646
Emp. fringe benefit adm.	201,895,621	207,081,631	408,977,252
Property management	12,846,573	12,846,573	25,693,146
Facilities const. and maint.	18,542,284	18,542,284	37,084,568
Purchasing and supplies	1,099,647	1,099,647	2,199,294
Records management	780,742	780,742	1,561,484
General admin. services	2,171,687	2,171,687	4,343,374
Subsidies to counties	1,230,000	1,230,000	2,460,000

Appropriations for General Fund Operations

Specific Appropriation Measures

In addition to the state budget, the following measures appropriated general funds for operating purposes. Appropriations are for fiscal 2006 unless specified in the measure.

EXECUTIVE BRANCH

Economic Development

SB 1592, CD-1 - appropriates \$25,000 in fiscal 2006 and \$25,000 in fiscal 2007 to the state auditor to review the Hawaii state plan and other components of community planning to be performed by the Hawaii 2050 task force. Appropriates \$75,000 in fiscal 2006 and \$75,000 in fiscal 2007 for the creation of the Hawaii 2050 sustainability plan.

HB 109, CD-1 - appropriates \$50,000 to the department of business, economic development and tourism to conduct a study with the participation of the counties to develop policy and recommend boundary amendments to expand and enhance the use of rural districts. Redefines rural districts to include golf courses and related activities and prohibits such uses in agricultural districts after the effective date of this measure.

HB 168, CD-1 - appropriates \$500,000 to the Hawaii Farm Bureau Federation to conduct agricultural research and market development.

HB 1640, CD-1 - appropriates \$150,000 for the development of proposals for incentives for agricultural development and agricultural land development in the state.

Environmental Protection

SB 1451, CD-1 - appropriates \$250,000 to the center for conservation research and training under phase 1 to develop the best strategies consistent with watershed management to improve the water quality of Lake Wilson.

Health

SB 27, CD-1 - appropriates \$200,000 to the Kapiolani Medical Center for Women and Children for the Kapiolani Child At-Risk Evaluation Program.

SB 789, HD-1 - makes an emergency appropriation of \$6,990,593 in fiscal 2005 to allow the department of health to provide services for developmentally disabled or mentally retarded individuals under the title XIX waiver program.

HB 683, SD-2 - makes an emergency appropriation of \$3,930,000 in fiscal 2005 to the department of health to allow the department to provide continuous mental health services at the Hawaii state hospital and provide other mental health services.

HB 684, HD-1 - makes an emergency appropriation of \$2,120,801 in fiscal 2005 for collective bargaining costs negotiated with ambulance service providers (the city and county of Honolulu for Oahu and a private provider, American Medical Response for the counties of Maui and Kauai).

HB 1304, CD-1 - appropriates \$200,000 to establish a temporary health care task force to develop a plan to implement health care for all Hawaii residents, including contracting with the Hawaii Uninsured Project to serve as facilitator for services and studies. Directs the task force to use the work of the Hawaii Uninsured Project, the Vision 2000 Healthcare Congress and the Governor's Blue Ribbon Panel on Cancer care in Hawaii as a starting point. Requires the task force to submit its findings, recommendations, and legislation to the 2006 legislative session including a cost analysis and a detailed rationale for implementation. Sunsets the task force on June 30, 2006.

Formal Education

SB 116, CD-1 - appropriates \$20,000 to establish a nursing scholars program administered by the University of Hawaii to train nurses.

SB 667, HD-2 - makes an emergency appropriation of \$22,000,000 for fiscal 2005 for cleaning, repairing, or replacing damaged or destroyed University of Hawaii property as a result of the October 2004 flood.

SB 778, SD-1 - makes an emergency appropriation of \$11,672,564 for fiscal 2005 for increased costs due to an increase in the required services to students with autism spectrum disorder and in school-based behavioral health services.

SB 945, CD-1 - appropriates \$20,434,455 in fiscal 2006 and \$77,125,207 in fiscal 2007 for collective bargaining cost items of bargaining unit (5), teachers and other personnel of the department of education and similar excluded employees.

SB 1250, CD-1 - appropriates \$500,000 in fiscal 2006 and \$500,000 in fiscal 2007 for compensation adjustments for substitute teachers as determined by a classification and compensation schedule designed to pay substitute teachers according to their educational training and academic qualifications.

SB 1580, CD-1 - appropriates \$455,745 in fiscal 2006 and \$4,204,266 in fiscal 2007 for collective bargaining unit cost items relating to contributions to the Hawaii Employer-Union Health Benefits Trust fund for bargaining unit (5), teachers and other personnel of the department of education and similar excluded employees.

SB 1643, CD-1 - appropriates \$50,000 in fiscal 2006 to support the operations of the task force on charter school governance. Also appropriates \$1,200,000 in fiscal 2006 and \$1,500,000 in fiscal 2007 to fund the operations of charter schools under the department of education.

SB 1814, CD-1 - appropriates \$150,000 for the operations of the school impact fee working group.

HB 841, CD-1 - appropriates \$1,000,000 in fiscal 2006 and \$1,000,000 in fiscal 2007 to the department of education to continue to implement Act 51, SLH 2004, "Reinventing Education Act of 2004" and subsidize information systems projects, including the hiring of additional personnel to improve public education.

HB 844, CD-1 - appropriates \$50,000 for the operation of a Hawaii teacher standards board.

HB 1300, CD-1 - appropriates \$50,000 to establish and support the operations of the early childhood education task force.

Culture and Recreation

SB 1267, CD-1 - appropriates \$25,000 for a shark monitoring program for the leeward coast of Oahu.

SB 1699, CD-1 - appropriates \$175,000 to support the Hawaii state foundation on culture and the arts biennium grants program.

HB 115, CD-1 - appropriates \$131,200 in fiscal 2006 and \$56,250 in fiscal 2007 to address the soil problems at the Hawaii state veterans' cemetery in Kaneohe provided that a portion of the appropriated amount for fiscal 2006 shall be used for casket liners.

HB 283, CD-1 - appropriates \$2,000 to establish a temporary Senator Hiram L. Fong commission to research and recommend how the state can honor Senator Hiram L. Fong.

HB 1029, SD-2 - appropriates \$30,000 to publish the Hawaii veterans' newsletter and update the office of veterans' services database.

Public Safety

SB 1732, CD-1 - appropriates \$19,000 in fiscal 2006 and \$20,000 in fiscal 2007 for the purchase and installation of rain gauges and maintenance of a flood warning system for Lake Wilson provided that no funds shall be expended unless dollar-for-dollar matching federal funds are available.

Individual Rights

SB 673, CD-1 - appropriates \$1,151,145.76 in fiscal 2005 for claims against the state.

HB 1750, CD-1 - appropriates \$100,000 to support the community-based reintegration program for female offenders transitioning from prison back into the community.

HB 1763, CD-1 - appropriates \$75,000 for a comprehensive review of the Hawaii penal code by the judicial council.

Government-Wide Support

SB 807, CD-1 - appropriates \$53,418 in fiscal 2006 and \$54,486 in fiscal 2007 to pay salary increases for various state positions.

SB 944, CD-1 - appropriates \$9,362,644 in fiscal 2006 and \$23,512,316 in fiscal 2007 for collective bargaining cost items for bargaining unit (1), nonsupervisory employees in blue collar positions, and collective bargaining unit (10), institutional, health, and correctional workers, and similar excluded employees.

SB 1579, CD-1 - appropriates \$2,071,037 in fiscal 2006 and \$4,598,302 in fiscal 2007 for collective bargaining unit cost items relating to contributions to the Hawaii Employer-Union Health Benefits Trust fund for bargaining units (1), nonsupervisory employees in blue collar positions, and (10), institutional, health, and correctional workers and similar excluded employees.

HB 260, CD-1 - appropriates \$106,387 in fiscal 2006 and \$267,311 in fiscal 2007 for collective bargaining cost items for bargaining unit (11), and cost items relating to contributions to the Hawaii Employer-Union Health Benefits Trust fund and similar excluded employees.

HB 263, CD-1 - appropriates \$29,181,545 in fiscal 2006 and \$73,162,764 in fiscal 2007 for collective bargaining cost items for bargaining units (2), (3), (4), (6), (8), (9), and (13) and similar excluded employees.

HB 555 - makes an emergency appropriation of \$3,000,000 in fiscal 2005 for increased costs of electricity for state facilities managed by the department of accounting and general services.

HB 624, SD-1 - makes an emergency appropriation of \$7,190,869 in fiscal 2005 for collective bargaining cost items for bargaining units (1) and (10), and similar excluded employees.

HB 1224, CD-1 - appropriates \$50,000 for technical assistance and briefings to identify issues that need to be resolved to effectuate the orderly implementation of a streamlined sales and use tax in the state that is based on the Streamlined Sales Tax Project's model agreement and act. Although this measure was vetoed by the Governor, the veto was overridden by the Special Session of the Legislature and became Act 3.

HB 1301, CD-1 - appropriates \$300,000 for coqui frog eradication programs in each county.

HB 1597, CD-1 - appropriates \$3,497,093 in fiscal 2006 and \$11,489,062 in fiscal 2007 for collective bargaining cost items relating to contributions to the Hawaii Employer-Union Health Benefits Trust fund for bargaining unit (9) and similar excluded employees.

HB 1599, CD-1 - appropriates \$5,226,904 in fiscal 2006 and \$11,576,379 in fiscal 2007 for collective bargaining cost items relating to contributions to the Hawaii Employer-Union Health Benefits Trust fund for bargaining units (2), (3), (4), (6), (8), (9) and (13) and similar excluded employees.

JUDICIAL BRANCH

HB 500, CD-1 - appropriates \$122,347,846 in fiscal 2006 and \$122,097,963 in fiscal 2007 for judiciary operating expenses.

LEGISLATIVE BRANCH

SB 543 - appropriates \$24,716,781 in fiscal 2005 for legislative expenses up to June 30, 2006, including \$6,116,084 for the state senate, \$8,776,077 for the state house of representatives, \$3,405,252 for the state auditor, \$1,500,000 to the state auditor for deposit to the audit revolving fund, \$2,663,198 for the legislative reference bureau, \$881,170 for the ombudsman, \$1,200,000 for the legislative information system, and \$175,000 for legislative broadcasts.

HB 1528, CD-1 - appropriates \$186,673 for salary increases and other cost adjustments for excluded employees of legislative service agencies.

Office of Hawaiian Affairs

HB 450, SD-2 - appropriates \$2,866,279 in fiscal 2006 and \$2,866,279 in fiscal 2007 for the office of Hawaiian affairs' operating expenses.

NON-GENERAL FUND APPROPRIATIONS

State government expenditures are also funded by non-general fund sources. Non-general fund sources primarily include special, federal, and revolving funds. Special and revolving funds are financed by specific earmarked taxes and fees or income generated by certain projects. Revolving funds also provide funding vehicles for state loan programs. Federal funds include federally sponsored programs and grants.

State Budget

HB 100, CD-1 (Act 178) provides non-general funds of \$4,478,148,483 for fiscal 2006 and \$4,553,451,322 for fiscal 2007 for operations of state government.

HB 100, CD-1 "Non-General Fund Appropriations" by Fiscal Year

Program Area	Fiscal 2006	Fiscal 2007	Non-General Fund Total	% Non-General Funds For Each Program Area
Economic Development	\$ 174,151,801	\$ 175,473,274	\$ 349,625,075	89.1
Employment	292,579,734	292,579,734	585,159,468	93.2
Transportation	587,374,411	580,879,999	1,168,254,410	100.0
Environmental Protection	188,992,491	189,009,510	378,002,001	89.4
Health	506,897,776	502,190,276	1,009,088,052	55.9
Social Services	1,075,884,458	1,083,879,568	2,159,764,026	61.9
Formal Education				
Lower Education	298,727,791	324,645,933	623,373,724	20.7
Higher Education	320,165,088	331,657,639	651,822,727	21.1
Culture and Recreation	38,113,568	37,589,811	75,703,379	78.6
Public Safety	43,761,463	43,379,630	87,141,093	18.7
Individual Rights	53,878,822	53,063,255	106,942,077	84.7
Government Wide Support	897,621,080	939,102,693	1,836,723,773	55.7
Total	\$ 4,478,148,483	\$ 4,553,451,322	\$ 9,031,599,805	50.2

Specific Appropriation Measures - Non-General Fund Sources

The 2005 legislature approved the following measures that contain non-general fund appropriations for operations, including the legislative, judicial, and OHA budgets.

Non-General Fund Specific Appropriation Measures

Bill Number	Purpose	Funding Source	2005	2006	2007
SB 543	Office of the auditor for comprehensive annual financial audit of the state and various state departments	Audit revolving fund	\$	\$ 3,013,125	\$
SB 617, CD-1	Court interpreting services program's educational services and activities	Court Interpreting Services Revolving Fund		100,000	100,000
SB 667, HD-2	Cleaning, repairing, or replacing damaged or destroyed University of Hawaii property due to October 2004 flood (EA)	State risk management revolving fund	25,000,000		

SB 673, CD-1	Claims against the state	State highway fund	1,338,813	
SB 682, CD-1	Department of Taxation to administer licensing and permitting of tobacco sales program	Tobacco enforcement special fund	130,953	
SB 782, SD-1	Increase funding for early intervention services (EA)	Act 41, SLH 2004, special fund appropriation	981,719	
SB 802, CD-1	Establishment of a state pharmacy assistance program	State pharmacy assistance program special fund	2,750,000	2,750,000
SB 807, CD-1	Salary increases for certain state department head positions	Compliance resolution fund	19,185	19,569
SB 813, CD-1	Providing funds to workforce investment boards of each county to improve employer outreach and services & implementation of a computer system by DLIR to benefit workforce development activities of each county	Unemployment insurance trust fund	10,000,000	10,000,000
SB 944, CD-1	Collective bargaining cost items for units (1) and (10) and excluded employees	Special funds Federal funds Other funds	1,392,407 400,513 84,179	3,445,502 997,750 208,593
SB 960, CD-1	Tsunami/hurricane preparedness efforts	Hurricane reserve trust fund	2,000,000	2,000,000
	Appropriation for deposit into the loss mitigation grant fund	Hurricane reserve trust fund	2,000,000	2,000,000
SB 1620, CD-1	Various health and human service programs	Emergency and Budget reserve fund	9,000,000	208,000
SB 1660, CD-1	Establish an education design and construction project assessment fund with the department of education and broaden the DOE's authority over capital improvement projects	Education design and construction project assessment fund	4,000,000	4,000,000
SB 1864, SD-1	Unanticipated hardware and infrastructure for the judiciary information management system (EA)	Judiciary computer system special fund	1,500,000	
HB 160, CD-1	Operating expenses of the captive insurance branch for the development of the captive insurance industry in Hawaii	Captive insurance administrative fund	1,500,000	1,500,000
HB 260, CD-1	Collective bargaining cost items for unit (11) and excluded employees	Special funds	447,111	1,231,347
HB 263, CD-1	Collective bargaining cost items for units (2), (3), (4), (6), (8), (9), and (13) and excluded employees	Special funds Federal funds Other funds	3,112,565 3,774,727 1,448,693	7,673,055 9,566,029 3,590,983

HB 450, SD-2	Office of Hawaiian Affairs biennial budget	Trust funds		5,312,924	5,460,424
HB 500, CD-1	Judiciary biennial budget	Special funds Revolving funds		8,936,016 243,261	8,936,016 243,261
HB 556, SD-1	Reimburses public safety answering points and wireless providers for technical improvements and operating cost of the fund (EA)	Wireless enhanced 911 fund	3,050,000		
HB 624, SD-1	Collective bargaining cost items for units (1) and (10) and excluded employees (EA)	Special funds Federal funds Other funds	1,963,443 492,717 130,983		
HB 1308, CD-1	Purchase agriculture easements to protect farm and ranch lands statewide	Land conservation fund		1,100,000	
HB 1597, CD-1	Collective bargaining cost items for unit (9) and excluded employees	Special funds Federal funds Other funds		4,968 119,872 17,061	13,875 372,476 55,019
		TOTAL	\$ 34,457,675	\$ 60,907,560	\$ 64,371,899

TOTAL OPERATING BUDGET

TOTAL OPERATING BUDGET APPROPRIATIONS FROM ALL FUNDS Fiscal 2005-2007

	General Fund		Other Funds		All Funds	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
HB 100, CD-1 "State Biennial Budget"	\$ 8,946,616,959	94.4	\$ 9,031,599,805	98.6	\$ 17,978,216,764	96.5
<i>Economic Development</i>	42,657,381	0.4	349,625,075	3.8	392,282,456	2.1
<i>Employment</i>	42,526,900	0.4	585,159,468	6.4	627,686,368	3.4
<i>Transportation</i>	-	0.0	1,168,254,410	12.8	1,168,254,410	6.3
<i>Environmental Protection</i>	44,640,960	0.5	378,002,001	4.1	422,642,961	2.3
<i>Health</i>	795,524,249	8.4	1,009,088,052	11.0	1,804,612,301	9.7
<i>Social Services</i>	1,331,266,898	14.0	2,159,764,026	23.6	3,491,030,924	18.7
<i>Formal Education</i>						
<i>Lower Education</i>	3,634,106,236	38.3	623,373,724	6.8	4,257,479,960	22.8
<i>Higher Education</i>	1,178,943,732	12.4	651,822,727	7.1	1,830,766,459	9.8
<i>Culture and Recreation</i>	20,631,458	0.2	75,703,379	0.8	96,334,837	0.5
<i>Public Safety</i>	378,763,990	4.0	87,141,093	1.0	465,905,083	2.5
<i>Individual Rights</i>	19,385,332	0.2	106,942,077	1.2	126,327,409	0.7
<i>Government Wide Support</i>	1,458,169,823	15.4	1,836,723,773	20.1	3,294,893,596	17.7
Collective Bargaining and Excluded Employee Costs	\$ 276,271,417	2.9	\$ 37,956,725	0.4	\$ 314,228,142	1.7
Specific Appropriations	259,026,394	2.7	87,322,734	1.0	346,349,128	1.9
TOTAL	\$ 9,481,914,770	100.0%	\$ 9,156,879,264	100.0%	\$ 18,638,794,034	100.0%

HIA terminal roof and ceiling replacement, Oahu - \$469B, \$1,407N in fiscal 2006 and \$2,345B, \$7,035N in fiscal 2007; HIA terminal modernization, Oahu - \$1,000B in fiscal 2006 and \$7,000B in fiscal 2007; HIA interisland maintenance facility site preparation, Oahu - \$1,050B in fiscal 2006 and \$8,900B in fiscal 2007; HIA flight information display system and public address system improvements, Oahu - \$390B, \$1,335N, \$8,913X; Kalaeloa airport facility improvements, Oahu - \$40B, \$760N in fiscal 2006 and \$200B, \$4,370N in fiscal 2007; Kalaeloa airport utility system improvements, Oahu - \$315B, \$3,625N; Kona international airport plans for new overseas terminal, Hawaii - \$1,000B in fiscal 2006 and \$3,000B in fiscal 2007; Kahului airport new access road, Maui - \$300B, \$1,035N in fiscal 2006 and \$3,750B, \$13,000N in fiscal 2007; Kahului airport, runway safety area improvements, Maui - \$375B, \$1,294N, \$8,625X; Kalaupapa airport aircraft rescue and firefighting requirements, Molokai - \$56B, 659N in fiscal 2006 and \$300B, \$3,200N in fiscal 2007; Lihue airport perimeter road and security fence, Kauai - \$642B, \$3,320N, \$370X; Lihue airport expansion for noise abatement, Kauai - \$1,100B, \$16,000N. Harbors: Hilo harbor barge terminal improvements, Hawaii - \$45,000E in fiscal 2007; Kaunapali harbor improvements, Lanai - \$500B in fiscal 2006 and \$4,000B in fiscal 2007; ferry terminal improvements, statewide - \$20,000D in both fiscal years. Highways: Bikeways from Waipio Point access road to Lualualei Naval Road, Oahu - \$700E, \$2,800N in fiscal 2007; guardrail improvements on Oahu - \$650E, \$2,600N in each fiscal year; Kaipapau Stream bridge replacement or rehabilitation, Oahu - \$200E in fiscal 2006 and \$1,760E, \$7,040N in fiscal 2007; replacement of Makaha bridges 3 and 3A, Oahu - \$2,500E, \$10,000N in fiscal 2007; Kaluanui stream bridge replacement, Oahu - \$1,700E, \$6,800N in fiscal 2007; New north/south road from Kapolei Parkway to H-1, Oahu - \$3,000B, \$4,700E, \$30,800N; Queen Kaahumanu Highway widening, Hawaii - \$1,000E, \$29,000N in fiscal 2007; Widening of Haleakala Highway, Maui - \$12,000E; Widening of Kaunapali Highway from Lihue to west of Maluhia road, Kauai - \$6,300E, \$25,200N in fiscal 2007; replacement of Wainiha bridges 1, 2, and 3, Kauai - \$5,000E, \$20,000N.

Environmental Protection

Wastewater treatment revolving fund for pollution control, statewide - \$2,053C, \$10,264N in each fiscal year; safe drinking water revolving fund, statewide - \$1,661C, \$8,303N in each fiscal year.

Health

Hawaii Health Systems Corporation - upgrade facilities to address safety issues - fire protection, electrical upgrade, elevator recall system, roofing, and nurse call system upgrade, statewide - \$4,890C in fiscal 2006 and \$1,025C in fiscal 2007; West Maui medical facilities - planning and design of long-term care facilities and support facilities, Maui - \$1,000C; Maui Memorial Medical Center, design, construction and equipment for heliport, Maui - \$750C; improvements to department of health facilities - renovation, roofing, air conditioning upgrades, statewide - \$421C in fiscal 2006 and \$2,854C in fiscal 2007; Hawaii Health Systems Foundation long-term care veterans home at Hilo medical center, Hawaii - \$18,228N; Maui Memorial Medical Center parking structure, Maui - \$22,000E.

Social Services

Design and construction of the adult day care facility of the Nisei Veterans Memorial Center, Maui - \$1,500C; large capacity cesspool conversions, statewide - \$2,000C in each fiscal year; repair and maintenance of existing housing projects under the HCDCH, statewide - \$3,000C in fiscal 2006 and \$2,000C in fiscal 2007.

Formal Education

Lower Education: Cesspool removal, statewide - \$11,000B in each fiscal year; school building improvements, statewide - \$75,000B in fiscal 2006 and \$25,000B in fiscal 2007; Baldwin high school new or expanded library, Maui - \$10,290B; Hickam elementary school new or expanded library and new or expanded administration building, Oahu - \$7,670B; Kapolei high school, design, construction and equipment for the athletic complex, Oahu - \$5,300B; Kilauea elementary school, design, construction and equipment for a cafeteria, Kauai - \$3,000B; Maui Lani elementary school, design, construction and equipment for ground site improvements and equipment, Maui - \$7,000B; Naalehu elementary and intermediate school, design, construction, and equipment for six-classroom building, Hawaii - \$5,000B; Roosevelt High school renovation of auditorium, equipment and appurtenances, Oahu - \$5,000B; Roosevelt High school, stadium, track, field, access road improvements, Oahu - \$4,500B, \$500R; Waiialua elementary school, design construction and equipment for a new library/media center, Oahu - \$4,000B; Kohala public library, design and construction for new facility, Hawaii - \$6,361C; Manoa public library, plans, land acquisition, design, construction for expansion or replacement,

Oahu - \$6,500C. Higher Education: UH Manoa (UHM) Hawaii Institute of Marine Biology research lab at Coconut Island, new modern lab/office complex, Oahu - \$31,000E; UHM Frear Hall dormitory redevelopment, Oahu - \$25,000C; UHM John A. Burns School of Medicine and Cancer Research Center of Hawaii, plans, design, construction and equipment for the facility, Oahu \$12,000W; UH Hilo, design, construction and equipment for the sciences and technology building, Hawaii - \$20,000C; UH - Kapiolani Community College plans, design, construction and equipment for the development of the Cannon Club site for the Culinary Institute of the Pacific, Oahu - \$3,003N, \$14,000R; Hawaii Community College, plans, design, construction and equipment for the development of Hawaii community college mauka of Komohana Street, Hawaii - \$6,950C in fiscal 2006 and \$11,257C in fiscal 2007; Kauai Community College, design, construction, and equipment for the one stop center building, Kauai - \$11,781C.

Culture and Recreation

Ferry system improvements, statewide - \$3,280C, \$11,520N; improvements to harbor facilities, statewide - \$5,000D; Keehi boat harbor boat dock replacement, Oahu - \$1,800C; Kawaihae harbor sewer system and utilities improvements, Hawaii - \$2,700C.

Public Safety

Disaster warning and communication devices, statewide - \$1,284C, \$100N in each fiscal year; Keaukaha joint military center for soldiers, airmen, veterans, and retirees, Hawaii - \$100C in fiscal 2006 and \$300C, \$4,000N in fiscal 2007.

Government-Wide Support

State educational facilities improvement special fund transfer, statewide - \$212,114C in fiscal 2006 and \$62,400C in fiscal 2007; Hawaiian home lands trust fund payment, statewide - \$30,000C in each fiscal year; Kamamalu building asbestos removal and renovation, Oahu - \$12,600C; Hawaii Ocean View estates, plans, land acquisition, design and construction of exploratory and production water wells in Kau, Hawaii - \$6,000C.

CHAPTER 42F GRANTS

Lawmakers provided \$20.8 million in grants funded by G.O. bonds to selected private organizations. These grants are provided to organizations that provide services deemed as public purposes by legislators. Chapter 42F grants burden taxpayers with debt service costs during the 20-year maturity of the G.O. bonds issued to finance the grants. Over the past years, lawmakers authorized more than \$87 million in G.O. bond funded grants. The actual amount provided has been whittled down by rare vetoes and by not releasing the funding. However, the "gifting" of capital facilities to certain groups rather than other equally worthy causes lends to the perception that the rewards go to the more politically adept groups which are more successful in maneuvering through the legislative process rather than on the basis of merit. It may also be questionable to gift facilities to organizations that operate as quasi-businesses selling goods and services to the public. Finally, there is no guarantee that these organizations will be able to continue their mission over the lifetime of the facility. Should the mission of the organization change, it may not be in line with the original intent of lawmakers who authorized the grants and taxpayers would not have any recourse.

Advocates for these programs may contend that they provide services that state government would have provided anyway. However, the facilities will be owned, operated and controlled by private organizations. These organizations may not be subject to the same rules or guidelines applicable to state facilities and personnel for public access and to maintain accountability for expenditure of taxpayer dollars.

Rather than gifting the capital facilities to these organizations, policymakers should explore ways to preserve public ownership of the facility while providing the donee organization the facilities required to provide their services to their target groups. State government could construct and own the facility then lease it to the organization for a nominal rent equal to the amount necessary to cover the cost of operating and maintaining the facility. There may be instances where this approach would not be feasible such as when state grants provide only a small fraction of the overall cost of the facility. However, the use of this option, where appropriate, would protect the public interest while at the same time provide the organization with the facilities required to dispense its services.

Chapter 42F Grants to Private Organizations
 Capital Improvement Projects
 General Obligation Bond Authorizations Approved by the 2005 Legislature
 For Fiscal 2006

Program Area and Organization	Amount Authorized
HB 100, CD-1 "State Biennial Budget"	
Economic Development	
Waipahu Community Association - Waipahu business incubator	\$ 300,000
Honolulu Zoo Society - Discovery Zone and Hawaiian exhibit	200,000
Employment	
Easter Seals - full service center	1,000,000
Hawaii County Economic Opportunity Council - programs	600,000
ORI Anuenue Hale - community service facility	2,500,000
Seagull Schools - preschool classrooms	300,000
Honolulu YMCA - Leeward YMCA community programs	500,000
Health	
Waianae Coast Comprehensive Health Center - renovations	2,946,000
Organ Donor Center of Hawaii	50,000
Ronald McDonald House Charities - acquire facility	500,000
Molokai General Hospital - expansion	1,600,000
Bay Clinic - new medical clinic	1,000,000
Social Services	
Boys and Girls Club of the Big Island - facility renovation	200,000
Big Brothers Big Sisters of Honolulu - administrative headqtrs.	500,000
Nisei Veterans Memorial Center - adult day care center	1,500,000
Arizona Memorial Museum Association - new visitor center	500,000
Palolo Chinese Home - food service and wellness center	500,000
Nanakuli Hawaii Homestead Community Assn. - comm. center	1,200,000
Hawaii Maoli - community center	100,000
Waimanalo Haw. Homes Assn. - kitchen facility and computer center	1,000,000
Pacific Health Ministry - facilities	200,000
Pohai Nani Good Samaritan - senior wellness center	500,000
Hale Makua - renovations and improvements	1,000,000
Formal Education	
CCS, Key Project - Kualoa-Heeia Ecumenical Youth project	125,000
Culture and Recreation	
Friends of Waipahu Cultural Garden Park - expand Hawaiian complex	250,000
Lawai International Center - construction	500,000
Daughters of Hawaii - Hulihee Palace improvements	50,000
Government Wide Support	
Bishop Museum - educational center	1,200,000
Total Chapter 42F Authorizations for Capital Improvements	\$ 20,821,000

REVENUE BONDS

Revenue bonds are used by state government to finance state projects which serve a particular segment of taxpayers; in turn, users of the projects pay a fee or a user tax to repay the bonds and the cost to operate the projects. Typical uses of revenue bonds include state airports and highways. The airport system imposes fees on users and collects rents from concessions to pay for operations and construction of airport infrastructure.

Bond financed highway projects rely on earmarked fuel and weight taxes and vehicle registration fees to cover debt service. Unlike G.O. bonds, revenue bonds are not backed by the full faith and credit of the state. Only the revenues from the project are pledged to repay the bonds. As a result, analysts and potential bondholders have to determine whether a specific enterprise or project will generate enough earnings to repay the debt. The higher risk and additional research associated with revenue bonds generally translates into higher interest rates and increased issuance costs as compared to G.O. bonds. The following measures contain revenue bond authorizations:

HB 100, CD-1 - "State Budget" - \$222,057,000 in revenue bonds for state airports, harbors, and highway programs, parking structure for Maui Memorial Medical Center, and construction of a modern lab/office complex for the Hawaii Institute of Marine Biology at Coconut Island.

HB 19, CD-1 - \$100,000,000 in revenue bonds to finance the construction and maintenance of University of Hawaii housing projects.

SPECIAL PURPOSE REVENUE BONDS

Special purpose revenue bonds (SPRB) are bonds sold by the state government on behalf of qualified private businesses and organizations. The attraction to this type of financing is the tax-exempt status of the interest payments to bondholders which in turn results in a lower interest expense to the bond issuer. The bonds are

SPECIAL PURPOSE REVENUE BOND AUTHORIZATIONS 2005 State Legislature

Measure	Company and Use	Amount Authorized	Lapse Date
SB 459, CD-1	Hawaii Pacific Health, or any of its non-profit affiliates financing and refinancing, reimbursing costs related to the acquisition or construction of health care facilities, including information technology, equipment, software and any other related projects	\$30,000,000	4/30/10
SB 1117, CD-1	Hawaiian Electric Co., Maui Electric Co., Hawaii Electric Light Co. multi-project capital improvement construction programs	160,000,000	6/30/10
SB 1483, CD-1	Waimea Country School financing and refinancing, planning, acquisition or construction of facilities	10,000,000	6/30/10
SB 1872, CD-1	Palolo Chinese Home finance expansion, construction, and rebuilding of facilities	40,000,000	6/30/10
HB 1238, CD-1	Honolulu Seawater Air Conditioning, LLC establishment of a chilled water distribution system and balance-of-system components and structures and financing or refinancing of costs related to provision of such system in downtown Honolulu	48,000,000	6/30/10
HB 1555, CD-1	Hualalai Academy finance the planning, acquisition, construction and improvement of its educational facilities	30,000,000	6/30/10
HB 1556, CD-1	PLK Air Services Group, LLC planning, design, and construction of a Kona coffee and macadamia nut manufacturing facility and air cargo logistics and fulfillment center at Kona International Airport	25,000,000	6/30/10
HB 1657, CD-1	Hoku Scientific planning, design, construction and equipping of facilities for the production of the company's core products	10,000,000	6/30/10
TOTAL		\$353,000,000	

not a charge against the state government, however, the state facilitates the sale of the bonds. The private entity receiving the proceeds of the bond issuance is solely responsible for repayment of the bonds. The Internal Revenue Code and the state constitution define which businesses and organizations are eligible to use SPRBs or private activity bonds. In general, the proceeds are used for projects and uses which have an element of public purpose. Primary users of SPRBs in Hawaii are typically health care organizations and electric utilities. Lawmakers authorized \$353 million for eight SPRB requests during the 2005 legislature.

STATE DEBT LIMIT

HB 1668, CD-1 provides the state debt limit declaration required by the state constitution that the G.O. bonds approved by the 2005 legislature will not cause the limit to be exceeded. The declaration states that the G.O. bonds authorized for the state biennial budget, HB 100, CD-1, and the judiciary biennial budget, HB 500, CD-1, may not exceed \$807,916,000.

The state debt limit applies to debt service rather than the total amount of debt and only to G.O. bond debt. The limit is equal to 18.5% of the average general fund revenues during the three prior fiscal years. The limit is applied to the maximum amount of principal and interest payments in any fiscal year on general obligation bonds. The limit and the amount charged against the limit are based on estimated general fund revenues, the timing of anticipated bond issuances, and interest rates. As noted in HB 1668, CD-1, the state has proposed to issue \$225 million in G.O. bonds during fiscal 2005, \$500 million during fiscal 2006, and \$400 million during fiscal 2007. The department of budget and finance estimates a 6% interest cost for the bonds.

State Debt Limit, Amount Charged Against the Limit, and Margin
HB 1668, CD-1
(In Millions)

		Debt Limit	Est. Debt Charged to Limit	Debt Margin
FY 2005	2nd Half	\$ 682.8	\$ 551.5	\$ 131.3
FY 2006	1st Half	732.8	566.4	166.4
FY 2006	2nd Half	732.8	581.2	151.6
FY 2007	1st Half	769.8	593.1	176.7
FY 2007	2nd Half	769.8	605.0	164.8
FY 2008	1st Half	812.9	615.4	197.5
FY 2008	2nd Half	812.9	625.8	187.1
FY 2009	1st Half	852.7	554.1	298.6
FY 2009	2nd Half	852.7	561.2	291.5

SPECIAL AND REVOLVING FUNDS

Special and revolving funds are established and used to finance a specific government function or program. These funds are financed with dedicated revenue sources such as user fees, taxes, and license fees and are spent to provide services that have some link with or nexus to the revenue source. One example is the highway special fund. Fuel and vehicle weight taxes are paid into the highway special fund; the state then uses these moneys to pay for road construction and maintenance. When these funds are utilized in this fashion,

these funds can provide a direct relationship between those who use a service and those who pay for a service.

However, the use of these funds can be abused. Earmarked taxes and fees often generate more than what is needed to provide the necessary services, resulting in a surplus of revenue. Surpluses are also generated when policymakers intentionally cut spending for these programs. Lawmakers can then tap these surpluses and divert the moneys to unrelated programs.

Another problem is that the increasing number of state special, revolving, trust funds and special accounts can obscure the true financial picture of the state from the public and from lawmakers themselves. These non-general funds now number in the hundreds, making it a difficult task for all but the dedicated specialist to grasp the true financial picture of the state. Lawmakers approved seven new special, revolving and trust funds during the 2005 legislative session:

Bill Number	Fund	Use	Source
SB 617, CD-1	Court interpreter services revolving fund	Support the court interpreting service's educational services and program activities	Fees, charges, other moneys collected for programs relating to interpreter issues, training, screening, testing and certification
SB 639, CD-1	Teachers' housing revolving fund	Planning, construction, maintenance, and operation of teachers' housing programs	Legislative appropriations, refunds, reimbursements and rental for housing teacher tenants
SB 802, CD-1	State pharmacy assistance program special fund	Costs of administering state pharmacy assistance program; reimbursement payments to participating pharmacies for co-payments required under the federal Medicare part D pharmacy benefit program	Moneys received from manufacturers; legislative appropriations
SB 1132, CD-1	Condominium education trust fund	Education and research in the field of condominium management, condominium project registration, and real estate	Each condominium project or association with five or more units; condominium developers
SB 1660, CD-1	Education design and construction project assessment revolving fund	Costs of carrying out construction projects managed by DOE; costs of managing funds representing accumulated vacation and sick leave credits and retirement benefits for non-general fund employees; costs of collecting and distributing moneys for current expenses associated with capital improvement, repairs and maintenance, and repairs and alteration projects, etc.	Assessment of construction projects managed by the DOE as determined by the superintendent's evaluation of costs
HB 844, CD-1	Hawaii teacher cadet program fund	Contract with vendors to provide programs to encourage students to become teachers	Moneys received from the state, county, or federal government, private contributions of cash or other property

HB 1641, CD-1	Nonagricultural park lands special fund	Defray costs incurred in managing, administering, and overseeing non-agricultural park lands transferred to the department of agriculture	Legislative appropriations; lease rent, fees, penalties, etc., collected from non-agricultural park lands transferred to the department of agriculture
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Repeal of Special Funds

The 2005 legislature also repealed the transient accommodations tax trust fund and the transit capital development fund. Act 250, SLH 2002, established a TAT trust fund into which 5.3% of all transient accommodations tax collections were to be deposited. This fund was established to serve as a holding account for transient accommodations tax revenues to supplement shortfalls in the tourism special fund. The legislature by Act 183, SLH 1990, enacted a transit capital development fund to assist the counties with the capital and construction costs involved, including costs related to acquiring, reconstruction, improving, extending, equipping, or furnishing mass transportation. This was enacted to complement Act 184, SLH 1990, that allowed the counties to establish a general excise and use tax surcharge of 0.5% to fund a fixed rail rapid transit system in the city and county of Honolulu and public transportation systems, including mass transportation, sewage, or water development and parks, including park operations, maintenance, infrastructure, or purchase, on Hawaii, Kauai, and Maui. Since the counties did not adopt a general excise and use tax surcharge by the required October 1, 1992 deadline, a general excise and use tax surcharge did not go into effect and the transit capital development fund was not utilized.

Repealed funds:

Bill Number	Fund	Purpose
SB 1729, CD-1	Transit accommodations tax trust fund	Established to serve as a holding account for transient accommodations tax revenues to supplement shortfalls in the tourism special fund
HB 1309, CD-1	Transit Capital Development Fund	Assist the counties with capital cost involved in developing mass transportation

The 2005 legislature expanded the programs and services available to sexual assault victims and changed the name of the domestic violence prevention special fund to the domestic violence and sexual assault special fund. The 2005 legislature also approved a sliding scale increase in the conveyance tax depending on the value and type of transfer or conveyance and expanded the use of the proceeds of the conveyance tax to include funding of the land conservation fund. Initially when this fund was established by Act 77, SLH 1973, it was merely known as the “fund for the environment.” Over the years, conveyance tax revenues have been tapped for the rental housing trust fund and the natural area reserve fund.

Renamed funds:

Bill Number	Old Name	New Name	Source
SB 1419, SD-1	Domestic Violence Prevention Special Fund	Domestic violence and Sexual Assault special fund	Income tax remittances, interest and investment earnings, grants, donations, and public and private contributions

HB 1308, CD-1	Fund for the environment	Land conservation fund	Conveyance tax revenue, sale of G.O. bonds, proceeds from the operation, management, sale, lease or disposition of land or improvements managed by the Board of Land and Natural Resources
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TOTAL STATE FUNDING

All Branches of Government
Fiscal Biennium 2005-2007
(Dollars in Millions)

Fund Type	Operating	Capital Improvement	Total
General Fund	\$ 9,481.9	\$ -	\$ 9,481.9
Special Funds	3,437.2	421.5	3,858.7
General Obligation Bonds			
Nonreimbursable	-	762.9	762.9
Reimbursable	-	45.0	45.0
Revenue Bonds	-	222.1	222.1
Federal Funds	3,039.1	500.2	3,539.3
Private Contributions	0.2	17.9	18.1
County Funds	0.4	0.6	1.0
Trust Funds	130.8	-	130.8
Interdepartment Transfers	1,805.8	-	1,805.8
Revolving Funds	720.2	12.0	732.2
Other Funds	23.1	47.8	70.9
Total	\$ 18,638.7	\$ 2,030.0	\$ 20,668.7