

New Leadership for Hawai'i and Prospects for Policy Change

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*Paper prepared for delivery at the annual meeting of the
Western Political Science Association,
April 2-4, 2015, Las Vegas, NV.*

Introduction

Hawai‘i’s slow economic recovery continued throughout 2014. Despite this improving economic news, voters ousted their brash and combative sitting governor, Neil Abercrombie, in the Democratic Primary. The humble and unassuming State Senator David Ige rolled to a general election victory. The new governor, an electrical engineer by training and a veteran chair of the Senate Ways and Means Committee, looked to bring less in terms of policy change and more in terms of approach to governance.

Governor Ige was inaugurated on December 1, 2014, and his biennial budget needed to be released on December 22. The original request reflected a status-quo budget prepared by the outgoing Abercrombie administration. In late January, 2015, Ige’s administration put together an amended budget that slightly increased budgetary requests and expected revenues.

Key legislators have thus far opted for a conservative approach to spending. In March, the House voted to trim Ige’s requests down to approximately the level of the Abercrombie’s initial request. The budget is currently being worked over in the Senate Ways and Means committee. At this point, the final budget looks to be largely similar to the governor’s budget request, with few alterations and few new programs.

State of the Economy

The economic recovery in Hawai‘i has remained slow, with GDP growth since 2010 at or a bit below two percent per year (DBEDT 2015). The unemployment rate has continued its downward trend since its high of 7.1 percent in September of 2009. As of January 2015, the rate stands at 4.1 percent, which is still a bit above its historical average during better times (see Figure 1). The bulk of the growth in jobs has been in tourism-related industries, such as retail, food and drink services, transportation, and entertainment (DBEDT 2015).

[Figure 1 about here]

Tourism is the main driver of the state’s economy, and is closely monitored by both the public and private sector. The state is on pace to welcome 8.6 million visitors in 2015, to the tune of \$15.6 billion in spending, slightly better than the previous year. But worrisome for the industry is market data that shows a decline in visitor satisfaction. Contributing to this decline are higher prices, a strong dollar (making foreign tourism more expensive), and declining ratings of quality of service (Schaefers 12 March 2015).

Hawai‘i continues to be one of the most expensive states in which to live. In 2015, median single-family home price on O‘ahu rose 3.8 percent over the prior year to \$675,000, a new record (Gomes 7 January 2015). The housing market finally cooled off in February, dipping to a \$648,000 median value for a home on O‘ahu (Song 17 March 2015).

In early January of 2015, the state’s Council on Revenues revised up its forecast for expected tax revenue. In its estimate, the council indicated that it expected tax revenues to increase by 4.5 percent, one percent more than prior estimates for the fiscal year (Reyes 7 January 2015). Mindful of the erroneous estimates from the prior year, the legislature has taken a cautious approach to spending.

Demographics

Hawai‘i’s population growth has remained slow but steady. From 2013 to 2014, the population grew by seven-tenths of a percent to an estimated 1,419,561 (source: census.gov). The Hawaiian archipelago is characterized by varying population densities among the islands. The highest population is on the island of O‘ahu, with 72.3 percent of state residents. The remaining residents live on the “Neighbor Islands” of Hawai‘i (also known as the “Big Island”), Maui, Moloka‘i, Lana‘i and Kaua‘i. Politically, this divides the Hawai‘i into two very different congressional districts: CD1 for downtown Honolulu, and CD2 for everywhere else.

With a warm year-round climate, minimal pollution, and a highly active population, Hawai‘i has the highest life expectancy in the nation (Lum 2007). The state often ranks first in polls of the “happiest states” in the US (see Blair 2013). The median age of Hawai‘i state residents is 38.6 years old, with O‘ahu residents being slightly younger than their neighbors on the other islands, which tend to be more popular areas for retirement (census.gov).

As one might expect, Hawai‘i differs in many ways demographically from the “mainland” United States. For one, Hawai‘i is the only state to never have had a majority white population (Pratt and Smith 2000). In Hawai‘i, only 26.6 percent of residents self-identify as “white only.” In Hawai‘i, “Asian only” comprises the largest ethnic group in Hawai‘i, with over 37.7 percent of the population identifying as such. But Hawai‘i also has a very large population of individuals with mixed ethnicities, with 23.1 percent of the population identifying as more than one ethnicity (census.gov). Hispanics are the fastest growing segment of the population, with numbers increasing by 38 percent from 2000 to 2010 (Kelleher 2011), and now make up 9.8 percent of the state’s population. The result is a uniquely diverse cultural milieu. In Hawai‘i, only 75.6 percent of households speak English only, compared to 80.4 percent nationally (census.gov). In addition to Hawaiian, popular second languages include Japanese, Chinese, Korean, Portuguese, Tagalog, and other Pacific island languages.

Hawai‘i has a disproportionate number of military bases, service people, and veterans (Belt 2012). Defense spending makes up 13.5 percent of the state’s economy (Rucker and Goldfarb 2014). Hawai‘i residents are much more likely than the national average to be currently serving in the military (1.3% to 0.5%). Many people who have served on bases in Hawai‘i decide to take up residence in the state at the completion of their service commitment. The percentage of residents who are civilian veterans is 12.3,

compared to 10.1 percent nationally (census.gov). Accordingly, the U.S. Department of Defense and Department of Veterans' Affairs are important sources of revenue for the state and get close scrutiny from the state's congressional delegation.

Hawai'i's residents are slightly more educated than the national average, with 89.5 percent of residents having completed high school, compared to 84.6 nationwide. Similarly, a higher percentage of residents of the state hold Bachelor's degrees or higher (29.6 percent in Hawai'i compared to 28.5 percent nationwide, census.gov). Residents of Hawai'i benefit from higher wages than residents of the mainland. Median household income for the state of Hawai'i is \$67,402, significantly above the national figure of \$53,046 (census.gov).

But higher incomes are more than cancelled out by the high cost of living. As a state, Hawai'i has the highest cost of living in the nation (Rawes 2014). So, while Hawai'i has fewer families living below the poverty line than the national average (10.8 to 14.9 percent), this figure is not an accurate portrayal of the number of Hawai'i residents struggling to make ends meet. On the whole, population density in Hawai'i is much greater than that of the rest of the United States (211.8 persons per square mile in Hawai'i, compared to 87.4 for the US), which leaves little land available for housing, forcing up rents.

Hawai'i ranks third in the nation in terms of union membership, with 22.1 of the workforce percent unionized (BLS 2014). Hawai'i trails only New York and Alaska in percent unionized. Hawai'i used to have the highest percentage of government employment in the nation, but slipped to third in recent years. In Hawai'i, 27.8 percent of the workforce is employed by federal, state, or local government (Lauer 12 February 2013). The state now trails Alaska and the District of Columbia in percentage of workforce in government.

Political Composition of State Government

Hawai'i has undergone tremendous political change in the past few years, especially at the state and federal levels. The aforementioned ouster of incumbent Governor Abercrombie marked a watershed event in Hawai'i's political history. Never before in the state's history had a sitting governor lost a primary reelection bid. Nationally, from 1984 onward, less than two percent of sitting governors have lost their party's nomination (Bump 2014). More than that, Abercrombie was embarrassed by not even amassing half of his challenger's vote total.

There were several reasons for Abercrombie's historic defeat (see Moreno and Dingeman 2014). First among them was a proposal to tax pensions, which was shot down by the legislature. In late 2013, Abercrombie convened a special session of the legislature to legalize gay marriage, which angered many social conservatives—while Hawai'i leans strongly toward the Democratic party, there is a large constituency of religious conservatives. Abercrombie angered environmentalists with the creation of the

Public Land Development Corporation. He alienated teachers by taking a very long time to negotiate their contract, despite their support in previous elections. Abercrombie angered the state's football fans by letting the Pro Bowl flee the state. He alienated a large part of not just the Democratic base, but many outside it, by eschewing much-loved Senator Dan Inouye's dying wish for replacement. Finally, there could not have been more of a contrast in style in the juxtaposition of the brash Governor Abercrombie and the humble and soft-spoken Senator Ige in the televised debates (Belt 2014).

On the federal level, the state's congressional delegation has undergone a tremendous shakeup in recent years, losing precious seniority in the process. In 2011, US Senator Daniel Akaka announced that he would not seek reelection in 2012, and would serve out his term set to expire in January 2013. In 2012, US Representative Mazie Hirono was elected to his seat.

Longtime US Senator Daniel Inouye passed away on December 12, 2012, and Lt. Governor Brian Schatz was selected by Governor Abercrombie to fill the vacancy. Even though Hirono had been elected to fill Akaka's seat before Schatz was appointed, Schatz became the state's senior senator as he was sworn in a few days prior to Hirono. Schatz won election to the position in 2014 in hard fought race against Representative Coleen Hanabusa (whom Inouye had hand-picked as his successor). Schatz will have to run again in 2016 as the term (Senate Class III) expires in January 2017. In 2012, Tulsi Gabbard was elected to replace Mazie Hirono in the House, and in 2014 Mark Takai was elected to replace Colleen Hanabusa. The state now fields a congressional delegation that is young in both age as well as seniority, and sits on the minority side of the aisle, limiting its effectiveness.

A unique feature of Hawai'i state politics is Democratic dominance of the state legislature as well as county councils. This has long been the case, but never more so than in recent years. The House of Representatives has been "owned" by the Democrats since statehood, and Republicans last had a majority in the Senate in 1965. The lack of party competition has given rise to cleavages within the Democratic Party, including along lines of fiscal conservatism and between positions on various social issues such as gambling and same-sex marriage. Positions on these hot-button issues create strong factions within the Democratic majority (Pratt and Smith 2000). An additional area of cleavage within the Democratic caucus revolves around leadership selection, particularly in the House, where tense battles to wrest the speakership have ensued in recent years.

In the 2014 elections, Republicans picked up one seat in the House of Representatives, yielding a 44-8 majority for the Democrats. Just prior to the opening of the legislative session, Republican Representative Aaron Ling Johanson applied to switch to the Democratic Party. This angered some Democrats as Johanson was able to retain his seat on the House Finance Committee, ahead of more senior Democrats (Reyes 13 January 2015). This brought the Democrats' margin back to 44-7 in the House. In the Senate, Democrats retained their overwhelming 24-1 advantage. The lone Republican, and default Minority Leader and Floor Leader is Senator Sam Slom, who serves on all committees as the voice of the loyal opposition.

The State House is led by Speaker Jou Souki and the Senate by President Donna Mercado Kim, both Democrats. In the House, the committee with authority over the budget is the House Finance Committee, and it is chaired by seven-term Representative Sylvia Luke. In the Senate, the relevant committee is Ways and Means, which is chaired by Jill Tokuda.

Governor-Legislature Relationship

As with any political transition, Governor Ige has taken time to install new departmental heads (some are still forthcoming as of this writing). Coming into office, Governor Ige said that he would appoint those who shares his “core values” (Shapiro 2014) and he vowed to act “in the right way for the right reasons” (Ige 2015). Early on, Governor Ige mistakenly violated the state constitution by attempting to nominate Elizabeth Kim as the state director of Labor and Industrial Relations. The constitution requires that any nominated officer have resided in the state for the year prior to appointment (Pang 21 January 2015). The Director’s office currently remains headed by Abercrombie appointee Dwight Takamine.

Another nomination angered many in his anti-development political base when he nominated Castle & Cooke development company’s lobbyist Carleton Ching to head the Department of Land and Natural Resources (DLNR). The DLNR comprises 10 divisions with a total of 900 employees. It is an important department, as it oversees 1.3 million acres of state land and 750 miles of coastline. It also oversees the states’ fisheries, reserves, and other unique resources (Honoré 13 March 2015).

Legislators received more than 1,100 pieces of written testimony in opposition to Ching’s nomination, while supporters sent in 270 pieces (Honoré 18 March 2015). On March 12, the Senate Committee on Water and Land cast a recommendation vote of 5-2 against Ching. On March 18, Governor Ige withdrew Ching’s nomination after it became clear that the senate would not vote to confirm him. Although Governor Ige was a very popular Senator and had many strong ties to powerful members, he could not pull off such a controversial and unpopular appointment. Worse yet, instead of being open and transparent in the process, Ige relied on Abercrombie-esque arm twisting instead of clarifying why he thought Ching was qualified. It certainly didn’t help matters that Ching showed up for his hearings woefully unprepared (Shapiro 22 March 2015).

Prior to leaving office in December 2014, Governor Abercrombie submitted a status quo budget to the legislature. Following the release of the preliminary budget, the Ige administration asserted it would need an additional \$29 million to balance the current year, plus another \$117 and \$120 million for the FY 2016 and 2017 budgets, respectively. State Budget Director Wesley Machida warned lawmakers at the opening of the legislative session that the 6-year budget plan showed revenues and expenditures to be very tight, with little room for new projects and potential shortfalls if revenue estimates did not hold up (Pang 22 January 2015).

Major Issues

In her opening address, Senate President Donna Mercado Kim stressed the importance of government transparency and proposed an office of the inspector general to investigate allegations of waste, fraud, and other aspects of corruption. She also proposed that the state used all-mail balloting in 2016 and 2018. House leaders expressed interest in remedying infrastructure improvement backlogs, and improvements to the Hawai‘i Health Connector, the state’s exchange for the Affordable Care Act (Bussewitz 23 January 2015). Demonstrators at the legislative opening, some wearing gas masks, demanded GMO (Genetically Modified Organism) labeling on food products, (Nakaso 22 January 2015). In addition to these, several other important issues came up during the session.

Affordable Housing

According to a state report, Hawai‘i needs an additional 50,000 homes built by 2016 in order to meet demand. This is because roughly 30 percent of households are considered crowded or doubled-up. Senate Bill 120 would authorize \$100 million in bonds for the rental housing trust fund and would fund the development of micro-housing units, roughly 220 to 320 square feet (Bussewitz 17 March 2015). Another bill, SB 477, would authorize 35 million in bonds for public housing.

Beach Restoration

The beaches in Hawai‘i are the main attraction for tourists, so their health is vital to the tourism industry. Erosion of sand from beaches has been a problem in Hawai‘i, particularly in more heavily developed areas. The state has lost 13 miles of beaches to date, and 70 percent of the beaches on O‘ahu, Kaua‘i and Maui are deteriorating (Hurley 24 March 2015). House Bill 444 would fund beach restoration and permit studies of increasing sea rise on the quality of Hawai‘i’s beaches. Between \$3 to 5 million per year of hotel tax would be set aside for the project.

E-Cigarettes and Tobacco

Physician and State Senator Josh Green announced that he intended to introduce legislation creating parity in regulation between regular cigarettes and e-cigarettes. More than a dozen bills to regulate the products were introduced early in the legislative session. Opponents argued that the products emit no hazardous chemicals and help smokers of regular cigarettes quit smoking. Last year, legislators passed a bill banning the sale of e-cigarettes to individuals under 18 years old. House Bill 145 would tax e-cigarettes as well as any other nicotine-containing products at 80 percent. The revenue from this tax would go to the University of Hawai‘i Cancer Research Center. Currently, the state taxes cigarettes at 70 percent and “large” cigars at 50 percent. This bill also works to close the

tax loophole for chewing tobacco and small cigars (Nakaso 24 March 2015). On a similar note, Senate Bill 1030 would raise the age to purchase smoking products to 21.

Environmental Protection

In January, Hawai‘i Invasive Species Council coordinator Josh Atwood requested an additional \$6 million for FY 2016 to fight new invasive species (Kubota 14 January 2015). The council coordinates the activities of six departments in order to protect Hawai‘i’s fragile ecosystem. Two recently found invasive species include the painted stink bug, which could devastate leafy vegetables, and the coconut crab, which can grow up to three feet long and can crush coconuts with their claws (Kubota 14 January 2015). Recently, a coconut crab was found wandering the streets in Honolulu, startling residents.

Food Stamps

In Hawai‘i, only two-thirds of residents eligible for the federal Supplemental Nutritional Assistance Program (SNAP), formerly known as food stamps, are currently receiving benefits (Dayton 21 March 2015). House Bill 1347 would provide startup money to nonprofit organizations who would assist in registering more qualified residents. The state estimates this measure could generate an extra \$50-\$150 million in aid to the state.

GMOs

The battle over genetically modified organisms (GMOs) in Hawai‘i has been heating up. On the county level, three counties—Maui, Kaua‘i, and Hawai‘i, have passed laws to reduce the ability of farmers to grow GMO crops. These laws are in court pending appeal, and the Kaua‘i law was struck down in US District court as invalid for preempting state law (Hofschneider 25 August 2014). At the state legislature this session, Senate Bill 131 would establish labeling requirements for any food or agricultural commodity containing or produced with GMOs (Blair 17 February 2015).

HECO Sale and Solar Energy

Hawaiian Electric Industries Incorporated, known locally as HECO, is the state’s sole electricity provider. Later this year, the company is planned to be sold to Florida-based NextEra Energy, Inc. The sale has caused much consternation among Hawai‘i residents, since the CEO of HECO, Connie Lau, looks to receive \$10 million in compensation from the purchase (Star-Advertiser Staff, 9 January 2015). Legislators have been investigating the financial aspects and ramifications of the sale. The state Public Utilities Commission has invited 28 groups to take part in the approval process.

The pending sale adds insult to injury for residents who pay the highest electricity rates and receive the poorest service. This is combined with the added problem of solar permit backlogs. HECO insists that it has been slow to provide permits to applicants because of concerns as to how the systems may affect the power grid. Opponents of HECO point to the fact that HECO processed only six out of 2,749 applications during the month of December, 2014 (Mykleseth, 9 January 2015).

A poll in January found a plurality of Hawai'i residents thought that the purchase of HEI would not be good for Hawai'i (43% said no, 34% yes, 23% don't know). A similar plurality said the takeover would result in higher prices for consumers (46% said higher, 36% said rates would not be higher, 19% don't know; source: Mykleseth 2 February 2015).

Hurricane Aftermath

On the eve of the primary election on August 9, 2014, Hurricane Iselle struck Hawai'i Island. The hurricane knocked out power and telephone service to thousands of residents. The cause of much of the damage was the invasive albizia tree—a soft tree with shallow roots that grows to over 50 feet tall in Hawai'i's rich ecosystem. These trees are particular susceptible to being uprooted by gusts of wind, knocking out power and telephone lines and blocking roads. Because of the damage wrought by these trees, several measures were introduced to begin an eradication program. Senate Bill 591 would have appropriated \$2 million to the Hawai'i Invasive Species Council for a special fund for management of the problem. The bill died in the Senate Ways and Means Committee due to legislators' tightness with the state budget. Six other bills for albizia control also failed this session (Stewart 25 March 2015).

Light Rail

The light rail project in Honolulu is in deep trouble, facing cost overruns in the range of \$1 billion. State legislators opened the session pledging an inquiry into the project (Honoré and Pang 22 January 2015). The City and County of Honolulu is looking for an extension of the 0.5 percent addition to the General Excise tax to continue funding for the project. Senate Bill 19 would extend the half-percent general excise tax surcharge on O'ahu to cover the budget shortfall. The House Transportation Committee is currently considering House Concurrent Resolution 181, which would call for a state audit of the Honolulu Authority for Rapid Transportation (Honoré 25 March 2015).

University of Hawai'i

In March, the House Finance Committee voted to cut \$72 million from the budget for the University of Hawai'i system. Additionally, the state changed the financing mechanism to a lump sum for the system as a whole, instead of divvying it up among the

campuses as it had done in years prior (Kalani 13 March 2015). Legislators hope this approach will result in better stewardship of state funds on the part of the university.

Other Issues

A number of smaller issues with potential long-term effects have been considered this legislative session and/or impact the future budgetary horizon. Of particular concern has been the yearly increases in overtime pay required by the police department of the City and County of Honolulu associated with President Obama's yearly visits to the state. The costs have increased dramatically, from \$107,000 in 2008 to \$278,000 in 2014 (see Table 1). The county has requested reimbursement from the federal government and thus far has been turned down (Kakesako 13 January 2015).

[Table 1 about here]

On March 17, 2015, the Hawai'i State Supreme Court decided that a number of popular online travel companies must pay the state a portion of the \$247 million in general excise taxes assessed by the state. The companies include Expedia, Hotels.com, Hotwire.com, Procline.com, Orbitz, and Travelocity among others (Consillo, 18 March 2015). The court found that these companies failed to file tax returns and pay their general excise taxes on \$2.7 billion earned from 2000-2001.

Legislators have been supporting a plan (HB 1075) to privatize the three hospitals on the island of Maui. The privatization plan is designed to ameliorate the \$39 million in debt faced by the hospitals. The plan has been opposed by the Hawai'i Government Employees Association (HGEA) as a giveaway to the non-profit Hawai'i Pacific Health (Dayton 4 March 2015).

Finally, Hurricane Iselle exposed flaws in the state's electoral systems during the 2014 election. The delay in voting and plan for polling in the affected precincts created a public relations disaster for the office of elections. Many voters could not get to the polls, as many still dealt with blocked roads and electricity loss. Hawai'i elections chief Scott Nago came under fierce criticism for his handling of the situation. Worse yet, 800 ballots went missing in Maui county. Senate Bill 622 would require the state's elections commission to undertake written performance evaluations of the chief elections officer. And in a move to alter the election process, Senate Bill 287 would establish all-mail balloting in the state. A list of key bills passing through the state legislature this session appears in Table 2.

[Table 2 about here]

Budget Process

The Hawai‘i State Legislature is composed of “citizen legislators” who meet for just over three months at the beginning of each year. According to the State Constitution, the legislature convenes on the third Wednesday in January and meets for 60 working days. In 2014, the legislature convened on January 21 and is scheduled to adjourn *sine die* on May 7. If necessary, the legislative session may be extended by the governor or by each chamber’s presiding officers at the request of 2/3 of the members of each chamber (Pratt and Smith 2000).

The governor is required to prepare two budgetary proposals. These proposals are prepared by the Department of Budget and Finance. The first is the budget request. This request is a biennial request in budget years and a supplemental in off-years. In addition to the budget request, the governor is required to prepare a six-year financial plan for the state. The fiscal year begins on July 1 and runs through June 30 of the subsequent year. The governor submits the budget 30 days before the legislative session convenes. The governor’s budgetary request reflects the needs of 17 departments, his/her office, the office of the Lieutenant Governor, and the University of Hawai‘i System.

The state House of Representatives acts first upon the budget request, and then the budget bill is passed to the Senate. “First decking” is the date on which the budget must be passed out of the House Finance Committee so it can be voted upon in time before moving to the Senate (this year it was March 16). The date on which bills are passed from one chamber to the other is called “crossover,” which occurred on March 18 for the budget (it occurs a few days earlier for other bills). Once the budget reaches the Senate, it is referred to the Ways and Means Committee. Second decking for the budget to emerge from Ways and Means is slated for April 10 this year. Second crossover, for the budget to proceed out of the Senate and to conference, is slated for April 16. Final decking, for the bill to proceed out of conference and back to both chambers for final floor action is scheduled for May 1 (see Table 3 for the 2015 budget timeline). The budget is constitutionally required to be balanced every year, mandating off-year adjustments.

[Table 3 about here]

Executive Budget

The budget sent to the legislature in December 2014 was prepared by the Abercrombie administration. Prior to the legislative session, Governor Ige warned that the budget had no room for new projects. On February 12, 2015, the legislature received Governor Ige’s proposed changes to the budget (the amended budget). The governor sent additional proposed changes on February 24, 2015.

On the revenues side, the Governor Ige painted a rosier picture than that made by his predecessor. In his amended budget, Ige expected revenues to the general fund to

increase by \$117 million in FY 2016 and \$120 million in FY 2017 (see Table 4). Similarly, he expected increases in special funds by \$29 and \$21 million and increases in federal funds by \$32 and \$40 million for FY 2016 and FY 2017, respectively. Ige increased the expected use of trust funds by \$94 million for each fiscal year, and revolving funds by \$62 and \$60 million for each sequential fiscal year. Ige cut interdepartmental transfer funds by \$6 million for each year.

[Table 4 about here]

Governor Ige also made increases to expected revenue for capital improvement projects (CIPs). The governor made large increases in revenues coming from general obligation bonds, particularly for the coming year (see Table 5). For FY 2016, the governor projected an additional \$116 million in general obligation bonds, along with another \$26 million in FY 2017. The governor estimated an additional \$20 million to come from revenue bonds in FY 2016, and anticipated an influx of \$43 million in federal funds for CIPS in FY 2017.

[Table 5 about here]

On the expenditure side, a major increase was requested for the Department of Business, Economic Development and Tourism (DBEDT), to the tune of an additional \$114 million each fiscal year, bringing the departments totals to roughly \$400 million per year (see Table 6). Other departments that were favored by the governor's amended budget were education (\$15 million and \$8 million), Health (\$76 million and \$77 million) Hawai'i Health Systems (\$21 million each year), Human Services (\$45 million and \$57 million), Land and Natural Resources (\$17 and \$16 million), Transportation (\$6 million and \$5 million) and the University of Hawai'i (\$7.5 million each year). However, in terms of percentage of total budget, these departments received comparatively less than DBEDT.

[Table 6 about here]

In terms of increases in CIPs, DEBDT was also the big winner, slated for an additional \$111 million in FY 2016 (see Table 7). The department of Agriculture was the beneficiary of an additional request of \$5 million for FY 2016, and Transportation benefitted from an additional request of \$20.5 million in FY 2016 and \$5.5 million in FY 2017. Finally, a major recipient of the governor's favor was defense, for whom he requested an additional \$62 million in CIPs for FY 2017, bringing the department's total to nearly ten times what Abercrombie had requested.

[Table 7 about here]

Legislative Budget

In March, the state Council on Revenues increased its projection for tax revenues slightly for the coming fiscal year by \$55 million (Dayton 13 March 2015). Despite this, the legislature has moved cautiously on expenditures, killing a number of new projects advocated by legislators. In March, the House Finance Committee passed HB 500, which contained budgets of \$12.7 billion for FY 2016 and \$13.1 billion for FY 2017 (Bussewitz 16 March 2015). The budget includes \$1.47 billion for capital improvements in FY 2016 and \$755 million in FY 2017. The budget has been transmitted to the Senate, where it currently resides in the Ways and Means committee. A comparison of the initial Executive Budget request made by Abercrombie, the Amended request made by Ige, and the House's version of the operating and CIP budgets appears in Table 8.

[Table 8 about here]

Reflections of Politics Elsewhere

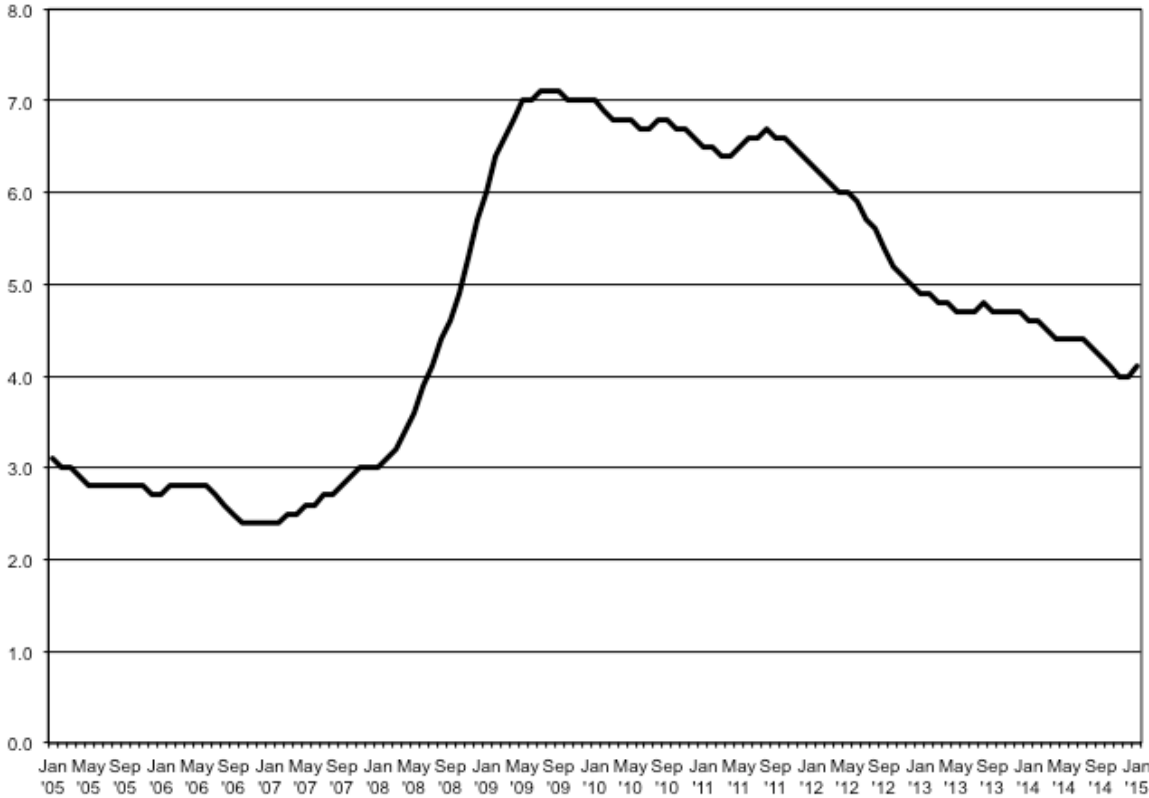
Due to the legalization of marijuana in Colorado and Washington, there has been great interest in the issue of marijuana this year. Nearly 30 marijuana-related bills were introduced this session. The state legalized marijuana for medical purposes in 2000. To date, the state estimates that there are 13,000 individuals who make use of the law. However, dispensaries are not legal in the state, so users must get marijuana from other sources. In order to create production facilities and dispensaries, legislators have proposed HB 321 and SB 1302. House Bill 321 would permit one dispensary for every 500 patients. These dispensaries would be highly regulated and would pay significant licensing fees. Dispensaries would have to be at least 750 feet away from schools, parks and public housing. No bills that would create outright legalization of marijuana passed committee (Riker 3 March 2015).

The state had three cases of measles in 2014, after having no cases for three consecutive years. The vaccination rate for children under three years old is 93 percent (Essoyan 9 February 2015). The decline in vaccinations is particularly problematic on the island of Kaua'i, and is the site of last year's outbreak. Suspicion of western medicine exists in many parts in the state, and is eschewed for homeopathic remedies. And as with other areas around the country, the anti-vaccination crowd are more likely to be Caucasian.

Summary/Conclusion

The current legislative budget is slightly less than Ige's request due to the conservative approach taken by the legislature. This is no surprise considering the flawed and overly optimistic revenue forecasts made last year. At this point, the Senate may very well choose a conservative route as well, despite many new programs being championed by its members.

Figure 1.
Seasonally-Adjusted Unemployment in Hawai'i by Month
January 2005 to January 2015



Source: BLS 2015

Table 1.
Honolulu Police Overtime Associated
with President Obama's Vacations

Date	Overtime Costs
2008	\$107,000
2009	\$249,000
2010	\$228,247
2011	\$241,005
2012	\$214,728
2013	\$293,731
2014	\$278,000

Source: Kakesako, 13 January 2015

Table 2.
Key Bills, 2015 Session

Bill	Description
HB 500	State Budget
CR 181	Light rail audit
HB 1075	Hospital privatization
HB 1347	SNAP registration
HB 145	Nicotine tax
HB 321	Marijuana dispensaries
HB 444	Beach restoration
SB 19	GET tax surcharge extension for light rail
SB 1030	Raises minimum age to purchase tobacco products
SB 1030	Increase age to purchase smoking products
SB 120	Affordable housing
SB 131	GMO Labeling
SB 287	Mail-in balloting
SB 477	Affordable housing
SB 622	Performance evaluations of election chief

Table 3.
Hawai'i State Budget Timeline, 2015 Session

Date	Action
Jan. 26	Budget Introduced in House
Feb. 12	Received Proposed Changes from Governor
Feb. 24	Received Additional Proposed Changes from Governor
Mar. 11	Passed by House Finance Committee
Mar. 16	Reported by House Finance Committee
Mar. 18	Passed by House
Mar. 19	Received by Senate
TBD	Passed Senate Ways and Means
TBD	Reported by Senate Ways and Means
TBD	Passed Senate
TBD	Passed by Conference Committee
TBD	Reported by Conference Committee
TBD	Passed House and Senate
TBD	Transmitted to Governor
TBD	Signed by Governor

**Table 4.
Operating Budget by Means of Financing**

	Exec. Bgt. FY 2016	Exec. Bgt. FY 2017	FY 2016 Gov. Msg.	FY 2017 Gov. Msg.	Total FY 2016	Total FY 2017
	34,667.00	34,667.00	137.19	147.19	34,804.19	34,814.19
General Funds	6,478,921,662	6,800,327,855	116,986,129	120,175,761	6,595,907,791	6,920,503,616
	7,765.18	7,765.18	19.00	19.00	7,784.18	7,784.18
Special Funds	3,052,985,823	3,149,071,354	29,366,153	21,370,751	3,082,351,976	3,170,442,105
	1,857.72	1,857.72	4.00	4.00	1,861.72	1,861.72
Federal Funds	2,324,202,581	2,415,289,753	31,500,570	40,446,229	2,355,703,151	2,455,735,982
	413.76	413.76	4.09	4.09	417.85	417.85
Other Federal Funds	189,081,571	185,344,568	2,698,763	765,018	191,780,334	186,109,586
	-	-	-	-	-	-
Private Contributions	433,067	433,067	-	-	433,067	433,067
	-	-	-	-	-	-
County Funds	209,721	209,721	-	-	209,721	209,721
	158.00	158.00	2.00	2.00	160.00	160.00
Trust Funds	82,445,757	86,343,394	93,650,800	93,735,763	176,096,557	180,079,157
	202.86	202.86	-	-	202.86	202.86
Interdepartmental Transfers	93,491,702	93,411,198	(6,000,000)	(6,000,000)	87,491,702	87,411,198
	312.85	312.85	4.00	4.00	316.85	316.85
Revolving Funds	398,653,025	399,344,068	61,876,008	59,729,850	460,529,033	459,073,918
	102.00	102.00	3.00	3.00	105.00	105.00
Other Funds	12,912,672	13,261,462	101,642	206,787	13,014,314	13,468,249
	45,479.37	45,479.37	173.28	183.28	45,652.65	45,662.65
TOTAL REQUIREMENTS	12,633,337,581	13,143,036,440	330,180,065	330,430,159	12,963,517,646	13,473,466,599

Source: DBF 2015

**Table 5.
Capital Improvement Budget by Means of Financing**

	Exec. Bgt. FY 2016	Exec. Bgt. FY 2017	FY 2016 Gov. Msg.	FY 2017 Gov. Msg.	Total FY 2016	Total FY 2017
General Funds	-	-	-	-	-	-
Special Funds	108,186,000	32,950,000	1,000,000	1,250,000	109,186,000	34,200,000
General Obligation Bonds	286,778,000	255,919,000	116,472,000	26,384,000	403,250,000	282,303,000
General Obligation						
Reimbursable Bonds	4,000,000	-	1,000,000	-	5,000,000	-
Revenue Bonds	564,876,000	201,274,000	20,000,000	-	584,876,000	201,274,000
Federal Funds	172,516,000	193,101,000	550,000	42,879,000	173,066,000	235,980,000
Other Federal Funds	-	-	-	-	-	-
Private Contributions	-	-	-	1,750,000	-	1,750,000
County Funds	-	-	-	-	-	-
Trust Funds	-	-	-	3,000,000	-	3,000,000
Interdepartmental Transfers	-	-	-	-	-	-
Revolving Funds	-	-	-	-	-	-
Other Funds	125,000	125,000	-	-	125,000	125,000
TOTAL REQUIREMENTS	1,136,481,000	683,369,000	139,022,000	75,263,000	1,275,503,000	758,632,000

Source: DBF 2015

**Table 6.
Operating Budget by Department, All Sources**

	Exec. Bgt. FY 2016	Exec. Bgt. FY 2017	FY 2016 Gov. Msg.	FY 2017 Gov. Msg.	Total FY 2016	Total FY 2017
	711.50	711.50	1.00	1.00	712.50	712.50
Accounting and General Services	195,282,740	199,593,885	5,233,934	5,939,268	200,516,674	205,533,153
	328.00	328.00	4.00	4.00	332.00	332.00
Agriculture	48,317,744	48,927,080	310,406	270,812	48,628,150	49,197,892
	662.78	662.78	4.00	4.00	666.78	666.78
Attorney General	78,356,039	79,590,657	2,805,968	1,810,968	81,162,007	81,401,625
	145.00	145.00	2.00	2.00	147.00	147.00
Business, Econ. Dev. & Tourism	286,453,681	285,622,520	113,563,431	113,888,808	400,017,112	399,511,328
	304.50	304.50	5.00	5.00	309.50	309.50
Budget and Finance	2,316,361,853	2,553,588,409	243,941	462,446	2,316,605,794	2,554,050,855
	482.00	482.00	8.00	8.00	490.00	490.00
Commerce and Consumer Affairs	73,567,267	74,839,210	6,203,938	3,074,782	79,771,205	77,913,992
	244.25	244.25	7.00	7.00	251.25	251.25
Defense	112,446,776	112,765,765	3,298,308	1,473,590	115,745,084	114,239,355
	19,984.97	19,984.97	59.78	59.78	20,044.75	20,044.75
Education	1,875,974,497	1,907,744,129	15,596,745	8,379,990	1,891,571,242	1,916,124,119
	18.00	18.00	-	-	18.00	18.00
Charter Schools	75,443,305	76,643,198	1,580,848	1,302,293	77,024,153	77,945,491
	547.50	547.50	7.50	17.50	555.00	565.00
Public Libraries	36,380,883	36,967,712	1,583,586	1,235,382	37,964,469	38,203,094
	24.00	24.00	-	-	24.00	24.00
Governor	3,800,494	3,848,053	358,690	430,549	4,159,184	4,278,602
	200.00	200.00	-	-	200.00	200.00
Hawaiian Home Lands	57,504,167	57,768,277	-	-	57,504,167	57,768,277
	2,596.12	2,596.12	38.00	38.00	2,634.12	2,634.12
Health	929,841,910	942,278,155	75,826,907	76,971,344	1,005,668,817	1,019,249,499
	2,835.25	2,835.25	-	-	2,835.25	2,835.25
Health - HHSC	643,076,816	649,019,754	21,000,000	21,000,000	664,076,816	670,019,754
	98.00	98.00	-	-	98.00	98.00
Human Resources Development	21,634,643	21,843,991	-	-	21,634,643	21,843,991
	2,238.25	2,238.25	4.00	4.00	2,242.25	2,242.25
Human Services	3,022,799,919	3,147,398,414	45,075,336	57,413,380	3,067,875,255	3,204,811,794
	665.50	665.50	8.00	8.00	673.50	673.50
Labor and Industrial Relations	464,867,782	466,095,295	680,380	854,911	465,548,162	466,950,206
	784.50	784.50	21.00	21.00	805.50	805.50
Land and Natural Resources	135,342,766	128,522,953	16,699,459	16,051,512	152,042,225	144,574,465
	9.00	9.00	-	-	9.00	9.00
Lieutenant Governor	1,606,179	1,636,296	82,000	82,000	1,688,179	1,718,296
	2,706.10	2,706.10	-	-	2,706.10	2,706.10
Public Safety	259,168,187	263,757,357	6,250,967	7,351,907	265,419,154	271,109,264
	-	-	-	-	-	-
Subsidies	-	-	-	-	-	-
	384.00	384.00	-	-	384.00	384.00
Taxation	29,479,481	29,779,347	361,546	111,546	29,841,027	29,890,893
	2,218.50	2,218.50	4.00	4.00	2,222.50	2,222.50
Transportation	856,161,649	944,535,193	5,923,675	4,824,671	862,085,324	949,359,864
	7,291.65	7,291.65	-	-	7,291.65	7,291.65
University of Hawaii	1,109,468,803	1,110,270,790	7,500,000	7,500,000	1,116,968,803	1,117,770,790
	45,479.37	45,479.37	173.28	183.28	45,652.65	45,662.65
TOTAL REQUIREMENTS	12,633,337,581	13,143,036,440	330,180,065	330,430,159	12,963,517,646	13,473,466,599

Source: DBF 2015

**Table 7.
Capital Improvement Budget by Department, All Sources**

	Exec. Bgt. FY 2016	Exec. Bgt. FY 2017	FY 2016 Gov. Msg.	FY 2017 Gov. Msg.	Total FY 2016	Total FY 2017
Accounting and General Services	20,512,000	20,710,000	-	-	20,512,000	20,710,000
Agriculture	2,600,000	2,600,000	5,000,000	-	7,600,000	2,600,000
Budget and Finance*	38,113,000	-	-	-	38,113,000	-
Business, Econ. Dev. & Tourism	8,355,000	1,855,000	111,000,000	-	119,355,000	1,855,000
Defense	10,670,000	7,706,000	-	62,813,000	10,670,000	70,519,000
Education*	106,500,000	106,500,000	-	-	106,500,000	106,500,000
Charter Schools	-	-	-	-	-	-
Public Libraries	2,500,000	2,500,000	-	-	2,500,000	2,500,000
Governor	1,000	1,000	-	-	1,000	1,000
Hawaiian Home Lands	25,000,000	30,000,000	-	-	25,000,000	30,000,000
Human Services	5,000,000	5,000,000	-	-	5,000,000	5,000,000
Health	27,204,000	23,704,000	-	-	27,204,000	23,704,000
HHSC	12,000,000	12,000,000	-	-	12,000,000	12,000,000
Labor and Industrial Relations	-	-	-	-	-	-
Land and Natural Resources	19,322,000	19,503,000	1,000,000	6,000,000	20,322,000	25,503,000
Public Safety	8,500,000	12,500,000	-	-	8,500,000	12,500,000
Taxation	-	-	472,000	-	472,000	-
Transportation	800,204,000	383,790,000	20,550,000	5,450,000	820,754,000	389,240,000
University of Hawaii	50,000,000	55,000,000	1,000,000	1,000,000	51,000,000	56,000,000
TOTAL REQUIREMENTS	1,136,481,000	683,369,000	139,022,000	75,263,000	1,275,503,000	758,632,000

* The \$38.1 M requested in FY 2016 in the Department of Budget and Finance will be transferred to the State Educational Facilities Improvement Special Fund and spent by the Department of Education.

Source: DBF 2015

**Table 8.
Comparing Budget Drafts**

	Initial Executive (\$ billions)	Amended Executive (\$ billions)	House Budget (\$ billions)	Senate Budget (\$ billions)
FY 2016	12.6	13.0	12.7	TBD
FY 2016 CIPs	1.1	1.3	1.5	TBD
FY 2017	13.1	13.5	13.1	TBD
FY 2017 CIPs	0.7	0.8	0.8	TBD

Source: Bussewitz 16 March 2015; DBF 2014; DBF 2015

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