February 17, 2009

The Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Madam President:

Transmitted herewith are proposed changes to the Appropriations Act (Senate Bill No. 200). Your favorable consideration is requested for the attached budget items:

Operating:

Reduce $15,000,000 in general funds for FY 10 from the Medicaid program in the Department of Human Services to reflect the $15,000,000 from the Emergency and Budget Reserve Fund in Senate Bill No. 883.

Appropriate $500,000 in inter-departmental transfer funds for the 50th Anniversary of Statehood Commission in FY 10 which is required for the Commission to complete planned events for the major celebration scheduled for August 2009 and to provide sufficient funds to cover residual expenses.

Provisos:

Amend Sections 7 and 27 and add Section 7.1 to provide the Department of Transportation, Airports Division, authorization to utilize monies from passenger facility charges special fund to allow additional financing option for airport capital improvements program projects.

Amend Section 16 to reflect current budgeted amounts for pension accumulation and social security/Medicare contributions for Department of Education employees and participating employees of Charter Schools.
Your staff may contact the appropriate agency for additional information. Your understanding and assistance is appreciated.

Sincerely,

LINDA LINGLE

Attachment

c: Honorable Donna Mercado Kim
DEPARTMENT OF HUMAN SERVICES

Health Care Payments (HMS 401/PQ)

Reduce general funds in FY 2010 for the Medicaid program.

FY 2010

Other Current Expenses - 15,000,000 A

OFFICE OF THE GOVERNOR

Office of the Governor (GOV 100/AA)

Appropriate funds for the 50th Anniversary of Statehood Commission in FY 10 to complete planned events for the major celebration scheduled for August 2009 and to provide sufficient funds to cover residual expenses.

FY 2010

Other Current Expenses 500,000 U
PROVISOS

By Amending Section 7, to read as follows:

SECTION 7. Provided that of the special fund appropriation for airports administration (TRN 195), the sum of $57,220,699 or so much thereof as may be necessary for fiscal year 2009-2010 and the sum of $67,003,736 or so much thereof as may be necessary for fiscal year 2010-2011 shall be expended from the airport revenue fund for the following purposes:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>FY 2009-2010</th>
<th>FY 2010-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and principal on revenue bonds</td>
<td>$57,220,699</td>
<td>$67,003,736</td>
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</tbody>
</table>

and provided that any unexpended fund appropriation may be expended for principal and interest on revenue bonds payable from the passenger facility charge special fund, as necessary, and provided further that any unexpended funds shall lapse to the airport special fund.

By Adding Section 7.1:

SECTION 7.1. Provided that of the special fund appropriation for airports administration (TRN 195), the sum of $1,734,500 or so much thereof as may be necessary for fiscal year 2009-2010 and the sum of $13,532,500 or so much thereof as may be necessary for fiscal year 2010-2011 shall be expended from the passenger facility charge special fund, as permitted by section 261-5.5, Hawaii Revised Statutes, and applicable federal laws and regulations, for the following purposes:

<table>
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</tr>
</thead>
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<tr>
<td>Interest and principal on revenue bonds</td>
<td>$1,734,500</td>
<td>$13,532,500</td>
</tr>
</tbody>
</table>

and provided that any unexpended fund appropriation may be expended for principal and interest on revenue bonds payable from the airport revenue fund, as necessary, and provided further that any unexpended funds shall lapse to the passenger facility charge special fund.

By Amending Section 27, to read as follows:

SECTION 27. AIRPORT REVENUE BONDS. The department of transportation is authorized to issue airport revenue bonds for airport capital improvement program projects authorized in part II and listed in part IV of this Act and designated to be financed by revenue bond funds or by general obligation bond funds with debt service cost to be paid
from special funds, in such principal amount as shall be required to yield the amounts appropriated for such capital improvements program projects, and, if so determined by the department and approved by the governor, such additional principal amount as may be deemed necessary by the department to pay interest on such airport revenue bonds during the estimated period of construction of the capital improvements program project for which such airport revenue bonds are issued, to establish, maintain, or increase reserves for the airport revenue bonds heretofore authorized (whether authorized and issued or authorized and still unissued), and to pay the expenses of issuance of such bonds. The aforementioned airport revenue bonds shall be issued pursuant to the provisions of part III of chapter 39, Hawaii Revised Statutes, as the same may be amended from time to time. The principal of and interest on airport revenue bonds, to the extent not paid from the proceeds of such bonds, shall be payable solely from and secured solely by the revenues from airports and related facilities under the ownership of the State or operated and managed by the department and the aviation fuel taxes levied and paid pursuant to sections 243-4(a)(2) and 248-8, Hawaii Revised Statutes, or such parts of either thereof as the department may determine, including rents, landing fees, and other fees or charges presently or hereafter derived from or arising through the ownership, operation, and management of airports and related facilities and the furnishing and supplying of the services thereof, and passenger facility charges pursuant to section 261-5.5, Hawaii Revised Statutes, as amended, and as determined by the department. The expenses of the issuance of such airport revenue bonds shall, to the extent not paid from the proceeds of such bonds, be paid from the airport revenue fund and passenger facility charge special fund as determined by the department.

The governor, in the governor's discretion, is authorized to use the airport revenue fund and passenger facility charge special fund to finance those projects authorized in part II and listed in part IV of this Act where the method of financing is designated to be by airport revenue bond funds.

Amend Section 16 to read:

SECTION 16. Provided that of the general fund appropriation for retirement benefits payments-DOE (EDN 941), the sum of [[$175,693,274]] $177,504,717 or so much thereof as may be necessary for fiscal year 2009-2010 and the sum of [[$177,450,204]] $179,723,525 or so much thereof as may be necessary for fiscal year 2010-2011 shall be used to pay for pension accumulation contributions for department of education employees and participating employees of charter schools; provided further that the sum of [[$87,927,988]] $89,554,231 or so much thereof as may be necessary for fiscal year 2009-2010 and the sum of [[$88,807,269]] $90,673,659 or so much thereof as may be necessary for fiscal year 2010-2011 shall be used to pay for social security/Medicare contributions for department of education employees and participating employees of charter schools; provided further that the amounts shall be transferred to retirement benefits payments (BUF 941) of the department of budget and finance for that purpose; provided further that the funds shall be transferred no later than July 16 of each respective fiscal year; provided further that the funds shall not be expended for any other purpose; and provided further that any unexpended funds shall lapse to the general fund.