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LCC Faculty Senate Legislative Committee
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I. State Budget Crisis—Update

A. As previously noted, the State faces a serious budget deficit for 2009-2011 that might total some \$2 billion. In its recent forecast, the Hawai`i Council on Revenues, on March 12, 2009, predicted a further revenue shortfall of about \$255 million. The Governor and the Legislature have agreed thus far to resolve the prior amounts of the deficit with budget cuts in numerous government services. What remains to be resolved, at least until the next Council on Revenues report on May 28, 2009, is the additional \$255 million.

B. To resolve this \$255 million deficit, Governor Lingle and the State Legislature have presented different solutions. The Governor wants to cut wages and benefits for state employees by some \$278 million. The State Legislature, on the other hand, would rather raise taxes in the amount of \$300 million over the next two years.

C. The Legislature recently, in late April 2009, passed four bills intended to resolve the current budget deficit. The bills would increase taxes for: real estate sales above \$2 million; increase taxes for high-income tax brackets; increase the cigarette and tobacco taxes; and, increase the hotel room tax. All together, these bills would provide for \$300 million in tax increases (Hon. Star-Bulletin, 4/23/09).

D. Governor Lingle has announced that she will veto these Legislative bills. The Governor's solution involves cuts in pay and benefits for state employees including UH faculty. In a recent meeting between representatives of the Governor and of UHPA, the Governor is demanding that all public employee unions, including UHPA, accept furloughs of up to 37.5 days a year or face unilateral action (Hon. Star-Bulletin, 4/29/09). As I understand the situation, the so-called furloughs would in fact be a pay cut for UH faculty of 6.5% over the next two years.

E. The current Legislative session will end on May 7, 2009. If Governor Lingle vetoes the Legislative tax increase bills, House Speaker Calvin Say predicts that the Legislature has the needed two-thirds majority to override the vetoes (Hon. Star-Bulletin, 4/23/09). Because the Legislature missed the deadline to get the bills to the Governor of 10 session days prior to adjournment, the Governor may not veto the bills before the last day of the current Legislative session. In that case, the Legislature may extend the session or call for a new session in July, as the Governor would have until July 14 to veto or sign or allow the tax bills to become law without her signature. Thus, a special Legislative session in July 2009 appears likely.

F. The health coverage situation is still uncertain (see my previous report).