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[TEST] State of the State Address 2016

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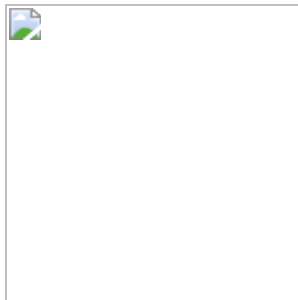
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Friend --

We wanted to share the recent State of the State Address with you.

Thank you for your continued support.



**STATE OF THE STATE ADDRESS
GOVERNOR DAVID Y. IGE
TO THE TWENTY-EIGHTH STATE LEGISLATURE
MEETING IN JOINT SESSION JANUARY 25, 2016**

Speaker Souki, President Kouchi, former governors, distinguished justices of the courts, representatives of our congressional delegation, members of the Hawaii State Legislature, county mayors and other elected officials, honored guests, family and friends,

Good morning and aloha.

After Alexander & Baldwin announced the end of sugar production on Maui, I visited the people who work there. Among them was a diesel mechanic, a fourth generation plantation worker, whose family history was interwoven with the sugar plantations.

He talked with pride about his work and life, and I shared that pride in recalling my own family's life on the plantation. I was also struck by the realization that his family's future would forever be altered by the closure of sugar.

Like many of you here, I was saddened for those workers whose lives will be changed forever. At the same time, I reflected on the challenges that we face moving forward.

Today, we live in a time of extraordinary change, where the past seems to have little relevance to what is happening today, let alone tomorrow. And while the past doesn't provide us with a precise roadmap to the future, it does give us the very things we need to find our path: values, sensibilities and the ways in which we treat each other—with aloha.

Sugar is gone, as are many other aspects of the Hawaii we once knew. In their place, however, there is an exciting new world beckoning us. And that is what I want to talk about this morning—about this new world and the challenges we face as we govern—about doing things the right way to make things happen.

TRUTHFULNESS

It begins with being truthful. We, in government, are obligated to be truthful, even when the truth is not easy or popular. When we live without truth, our actions fail to pass the test of time. Moreover, we tend to repeat our mistakes because we have not learned from them.

A few years ago, we saw the demise of the SuperFerry. Its failure has been attributed to environmental objections and a hostile court. But that is not exactly what happened. The fact is the state failed to follow the law. When we tried a legal end run, it also failed. The point is the state should have followed the law and done the right thing in the first place.

While the circumstances are very different, we are now going through some very difficult days with the Thirty Meter Telescope. When I visited Mauna Kea last April, I felt deeply that something was not right.

Even though I personally believe that the telescope needs to be built, it was also clear to me that many things have gone very wrong along the way. As a result, I have taken the time to listen to a lot of people—listening to their hopes as well as their concerns.

In its recent ruling, the Supreme Court did not say don't do this project. What it did say was that the state didn't do the right things in the approval process. It told us we needed to do a better job of listening to people and giving them a real opportunity to be heard.

The unrelenting search for truth, knowledge and understanding is an essential part of our human makeup. It helps us become who we are.

So does our obligation to be true to our past and cultural heritage.

That's why it's so unfortunate that our past and our future have been pitted against each other on the slopes of Mauna Kea. As Governor, I am committed to realigning our values and our actions. They are what define us as a community and allow us to move forward – proud of our past and facing our future with strength and confidence.

I am committed to pursuing this project and I hope its sponsors will stay with us. And this time, we will listen carefully to all, reflect seriously on what we have heard and, whatever we do in the end, we will do it the right way.

A PUBLIC TRUST

Governing the right way also means managing public funds as a public trust. That's especially true when it comes to taking care of our debts and obligations.

The state's obligation to the public pension and health benefit funds represent two of our biggest fixed expenses. We need to find better ways to meet this challenge. Their continued growth is a challenge that will remain with us for many years. We must find ways to do better in meeting this challenge so as not to burden future generations of taxpayers.

Last year, we changed the way in which we funded those obligations that will save hundreds of millions of dollars in the future. In the past, the state's contributions to the fund were made in installments that spread over 12 months. By consolidating those contributions into a single payment at the beginning of each fiscal year, we will realize contributions or taxpayer savings of up to half a billion dollars over the next 20 years.

Furthermore, my supplemental budget request to the Legislature includes paying 100 percent of the annual required contributions rather than 60 percent for the next two fiscal years. If authorized, this will further save more than \$300 million in required contributions over the next 20 years.

Tax Modernization Program

We've also been working hard to implement expenditure control policies and create fiscal initiatives such as a tax modernization program.

While the history of the tax department's computer programs is not a good one, the recent initiative to upgrade those programs is on time, on budget and meeting our first-year expectations. It will take until 2018 to complete, but we are already seeing progress in the collection of the general excise and transient accommodation taxes.

Greater efficiencies have increased tax revenues and saved taxpayer dollars. At the same time, our tax-fraud unit identified over \$20 million in fraudulent claims in the last fiscal year and, so far this year, it has found another \$11 million. Let's be clear. Stopping tax fraud is about fairness for all those who faithfully pay their share each year.

We know this work delays tax refunds and we are working hard to minimize those delays. If you bear with us during this transition, we will soon have a system that will be better able to catch fraud, without the time, cost and work required to do so today.

Federal Funds

In some cases, the state has struggled to spend federal monies in a timely way. This issue has vexed us for too long. We are starting to make progress. The Department of Transportation reduced its Fiscal Year 2015 project pipeline balance by over \$100 million. This is the largest drop in five years and is the lowest it has been since Fiscal Year 2002.

I am also pleased to announce that the Federal Environmental Protection Agency has determined that our State Department of Health is now in compliance in spending down the Drinking Water Fund. As a result, the remaining balance totaling \$8 million for Fiscal Year 2015 is being released for use locally.

We have more work to do on this critical issue, but we are making real progress.

Bond Financing

We also know that when public funds are managed better, the cost of borrowing money decreases. Last November we completed a \$750 million state bond sale—the first for this administration—and were able to refinance some of our bonds. This resulted in savings of about \$61 million in our debt service requirement.

Because of all these initiatives, we were able to balance the state budget by last June, even though the state was projected to close the last fiscal year in the red.

Maui Public Hospitals

While we have made progress, there continues to be areas of concern. One of these is the operation of the hospitals on our neighbor islands and in rural communities. It is getting harder and harder for us as a state to operate these hospitals well.

We need the resources the private sector can bring to bear on the increasingly complex issues and challenges of health care. We recently signed a historic agreement transferring the operation and management of the Maui Region health care facilities from the state to Kaiser Permanente. There is still work ahead but this is a great step forward. Thanks to all of you for working with us to make this happen.

In these and many other ways, we are committed to maintaining your trust—the public's trust—and to closely mind the state's purse strings as we prioritize and invest in the projects and programs that are long overdue.

WORKING WITH THE COMMUNITY

When we govern in the right way, we conduct the people's business WITH the community, not against it or around it or without it. I've long had strong concerns about the way the redevelopment in Kakaako proceeded. So do a lot of people who felt left out.

We have a great opportunity to learn from past experience and do things differently going forward. We have an immediate opportunity to get it right in Kalihi.

One of the harshest realities facing us today is that we need to tear down the Oahu Correctional Facility in Kalihi and build a new facility in Halawa. The jail is severely overcrowded and in disrepair and we must take action.

Therefore, I am introducing a bill to move this forward.

The facility will be designed to take advantage of all that we have learned about incarceration, and the need to give inmates a real opportunity to change their lives. Once the correctional facility has been moved, we can take advantage of the transit-oriented development opportunities created by the rail transit system.

In the next couple of weeks, I intend to put together a group of community leaders who will convene a series of community meetings to let Kalihi speak about what Kalihi wants and what role it will play in the future of Honolulu.

The land at Dillingham and Puuhale could be used for affordable housing, open space for recreation, commercial development and the jobs that it would bring, education and many other possibilities. And there are other state housing and mixed-use developments in various stages of planning and development in Kalihi.

In short, this is a tremendous opportunity to reposition Kalihi for the future.

This Kalihi 21st Century initiative truly gives us the opportunity to do community planning the right way. No one deserves this more than the people of Kalihi.

This is long overdue.

GOVERNING WITH COMPASSION

Governing in the right way is about people. That's why we will do what needs to be done with compassion.

Homelessness in Hawaii presents a complex and difficult issue. On one hand, we need to ensure that our parks and sidewalks remain open and safe for all to use. But we will do this with compassion and respect, especially when families with young children are involved. We will be sure that shelters are available for them.

We cannot force people into shelters, but we can do our best to help those families. That's why we increased funding for the Housing First effort and organized a Landlord Summit to encourage acceptance of more low-income and homeless tenants from building owners.

We are also currently in the final stages of renovating a 5,000-square-foot maintenance facility in Kakaako to house up to 240 people a year. This facility will not be just another shelter. Instead, it will be a Family Assessment Center that will quickly connect families to longer term housing.

An additional \$8.3 million has been included in my budget for Fiscal Year 2017 to operate the Family Assessment Center, expand the Housing First Program on the neighbor islands, and establish a new Rapid Re-housing program throughout the state.

The ultimate goal of the state's efforts to address homelessness is to make permanent housing available.

I am also pleased to announce that the state will be investing \$5 million immediately to jumpstart a new public-private partnership with Aloha United Way. It will provide direct funding for rapid re-housing, homeless prevention services and establish a statewide referral system. It will also develop long-term homeless strategies to address the needs of the most vulnerable individuals, including unaccompanied youth and those with chronic health concerns.

This initiative is expected to provide immediate relief to an estimated 1300 households.

My thanks to the Legislature, county mayors and the many community groups committed to helping homeless families and individuals throughout the state.

Affordable Housing

You cannot talk about homelessness without talking about the major reason why it has become so widespread. And that is the lack of affordable housing. It is estimated that 66,000 housing units are needed in the coming years. The state alone cannot fill the gap, but the state wants to do its part.

That's why we are working with the private sector to develop a comprehensive approach to reduce regulatory barriers, strengthen financial tools, streamline procedures and re-orient policies toward increasing housing production. We've expanded our partnerships with the private sector to build more affordable homes and rentals across the state.

Last year, the Hawaii Housing Finance and Development Corporation awarded about \$10 million in low-income housing tax credit and \$108 million in loans and bonds to leverage over \$660 million in total development costs.

This year, because of the great demand, we are seeking \$75 million for the Rental Housing Revolving Fund to make more money available for low-income rentals.

But the biggest roadblock to developing more homes is the lack of adequate infrastructure that allows housing projects to even begin. The state can make a major contribution by funding projects such as roads and water systems.

That's why I am proposing legislation to allow us to use the Dwelling Unit Revolving Fund for infrastructure development. We are also asking for a \$25-million increase to that fund in Fiscal Year 2017.

Public Housing

We're also thinking outside the box in renovating the state's public housing facilities.

The North School Street redevelopment project will be one of three Oahu public housing initiatives to enter into a public-private partnership that allows for a mixed-use/mixed income model. Kuhio Park Terrace and Mayor Wright Homes are the other two.

These projects will redefine our concept of public housing and make it more efficient, more welcoming and more compassionate.

With the Mayor Wright Homes, we are in the process of formulating a master development agreement with Hunt Companies that has the potential of adding additional mixed-income units. A development agreement with the Michaels Group for phase two of Kuhio Park Terrace is also imminent, with the potential for additional affordable units.

Private Sector and County Initiatives

There are other purely private sector projects in various stages of development that will contribute thousands of additional units, including Hoopili in East Kapolei and Koa Ridge in Central Oahu. Combined, there will be over 10,000 units coming on line in the next few years. While that is still not enough, it is a solid beginning.

We will also need innovative help from other levels of government. I want to thank Honolulu Mayor Caldwell and the City Council for thinking out of the box to create an "accessory dwelling unit" plan to increase rentals.

Perhaps the greatest opportunities for housing on Oahu rest with transit-oriented development.

We will be working closely with you on affordable housing initiatives in this key area. And mahalo to Mayor Carvalho of Kauai, Mayor Arakawa of Maui, Mayor Keno of Hawaii Island, and their respective county councils for stepping up their island-tailored efforts to house our people.

Hawaii State Hospital

Compassion must also extend to those who struggle each day with mental health issues. Behavioral health issues are often the underlying cause of many of our social, health and

economic challenges. In fact, mental health is the single-most pressing unmet health issue facing our state.

That's why we're investing \$160.5 million in a new forensic mental health facility on the grounds of the State Hospital in Kaneohe. And we've budgeted \$4.7 million in Fiscal Year 2017 to cover projected operating deficits at the State Hospital.

No one who has ever visited these facilities would ever question the need for these improvements. We must address the severe overcrowding as well as the safety of our state employees. We will work with you to find ways to accelerate the design and construction of this critically needed facility.

It is long overdue.

FOR THE SAKE OF THE CHILDREN

Governing in the right way also looks to the future. For me, our highest single obligation is to take care of our children.

We need to cool our classrooms now, in energy-efficient ways that align with our commitment to end our dependence on imported fossil fuels. Clean energy technology is changing rapidly and it's becoming more efficient. The Department of Education has already launched an energy-efficiency program called Ka Hei. This is a start and we need to take it farther.

I am working with the DOE, other state departments, utilities and clean energy companies to cool 1,000 public school classrooms by the end of this year and thousands more each year through the end of 2018.

We are going to get this job done.

To start, we will use \$100 million of Green Energy Market Securitization funds to immediately install energy-efficiency measures and air conditioning units in classrooms where our children need it the most. By using existing GEMS program dollars, the Department of Education and its energy-efficiency partner, OpTerra, can quickly access affordable financing for a large portion of its cost to air condition our classrooms.

I know you share my concerns. Let's work together to support our kids. You have my personal commitment that I will do all in my power to serve them. I'll work with anyone else who wants to do the same.

This, too, is long overdue.

LEGACY BUILDING

Finally, good governance creates a legacy—what we leave our children.

When I look at all the things we are doing right now, I see two legacy building elements in our current budget: They are strengthening our economic foundation and encouraging innovation.

Economic Foundations

Tourism is one of our primary economic engines, generating over \$14 billion each year in visitor spending and employing nearly 150,000 workers. It's essential for us to maintain our global position as a leader in the industry.

To do this, we need to make travel to Hawaii as easy as possible by expanding U.S. Customs pre-clearance for international visitors, particularly from Japan. Honolulu is the fourth largest port of entry in the United States.

Through a CIP funding appropriation, we want to establish Kona as a second international airport, giving visitors more travel options and conveniences.

We are also asking for funds to modernize our airports and automate the passport control system. This will enrich the visitor experience and encourage more carriers to fly here.

Agriculture and the Environment

In agriculture, we must move more aggressively to take on threats to our homegrown resources, with the creation of the Hawaii Invasive Species Authority.

Yes, it's long overdue.

The authority is just part of a broader framework for sustainability in Hawaii that will connect all of our efforts in resource protection, water production and fishery restoration to support sustainable communities throughout the state.

Maui Sugar Lands

As I noted earlier, the end of sugar production in Hawaii provides us with new opportunities. Here is the fundamental question: In the future when we look upward to Central Maui, will we see green productive farmlands, a fallow dust bowl or more homes for the super wealthy?

We must learn from the failures of the past and vow not to repeat them. Because we are running out of chances.

And so we will work steadfastly with Alexander & Baldwin and Mayor Arakawa to keep these lands in agriculture as a first priority. This is a long-term top agenda item for everyone who loves what Hawaii stands for and where we came from as a people.

The military is also a primary driver of our economy, and a very important one. But that's not how I want to focus on it today.

Many of us have friends and neighbors serving in the military here. They are so much a part of us that we sometimes forget the risks and dangers that are a constant part of their lives.

We were tragically reminded of this when we lost twelve Marines recently. I know we all grieve and pray with their families. We were also reminded of the importance of what our military does in protecting democracy and peace in the Pacific and throughout the world.

And so to our military members and veterans here in the chamber today—to those who we owe so much—I'd like to ask them to stand and be recognized.

The Innovation Economy

In years past, our parents were forced to confront the reality that times were changing—that the plantations could no longer drive Hawaii's economy, and a new economic engine had to be found.

Their answer was tourism. Today, with tourism at near capacity, we face a similar dilemma.

For those who haven't noticed, innovation, fueled by technology, is driving the global economy at breakneck speed. We simply must create an economic environment that enables Hawaii's entrepreneurs to turn ideas into products and services so that we can compete in today's global economy.

And we know that deploying a strong broadband capacity is critical to that kind of environment.

More importantly, innovation is not just a technological phenomenon. It crosses all industries, including agriculture, fashion, "media and design," clean energy, and healthcare. And it creates good paying jobs that keep our best and brightest here where we need them.

For that reason, I am proposing we set aside \$30 million over the next six years from our corporate tax revenues to support innovation enterprises.

We also need to support accelerator and venture fund activities to give talented entrepreneurs the means to create new products and services. In addition, our investments will also help attract private money.

My strongest personal partner in this is University of Hawaii President David Lassner. We are members of the Islander Wonk's Club; there's a sign-up sheet outside. So it's not too late to join!

VALUE BASED ACTIONS

Finally, making things right to make things happen is not just a nice slogan.

If we are truthful and act accordingly, if we value the public trust, if we govern with the people, if we are strong yet compassionate, if we take special care of our children, if we look to all of our futures, then we can more than meet the challenges we face today and tomorrow.

I began my remarks by talking about the end of sugar and the values handed down to us from our parents and grandparents who worked on those plantations. I talked about the importance of transforming those values into action.

That takes leadership. The kind of leadership and guidance provided by the late Ron Bright.

Ron was a teacher at Castle High School who transformed Hawaii, one student at a time, by engaging them in the performing arts. He understood the importance of values.

His classroom was the theatrical stage where he directed generations of students in an imaginary world. But the lessons they learned there were about life and the real world. In his productions as artistic director of Castle's Performing Arts Center, Ron celebrated our differences, reminded us of our common humanity and joyfully depicted life in all of its manifestations.

At this time, I'd like to recognize Ron's family who is with us today.

Ron's total commitment to the affirmation of life through education must continue to guide us.

Today, we need only watch the news on TV to see examples of man's inhumanity to man, triggered by the fear of differences—racial, religious, national. There are of course real dangers in the world that must be squarely met.

But it is also true that the world is becoming a smaller place where pluralism is increasingly the rule rather than the exception. These conditions call less for fear and hostility and more for the unyielding affirmation of diversity. We have found a way in these islands—anchored by a remarkable host culture and the enriching waves of immigration from east and west—to value and venerate who we are.

Many and yet one.

It is a lesson we have learned over time and it is an active pledge we must keep and live by every day. The transcendent call from our island state to the surrounding world is that when we demean others we betray ourselves.

There is a finer, better way. Pledge to it, make it real every day and lead the way.

Mahalo, and I look forward to the work ahead.

David Ige

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