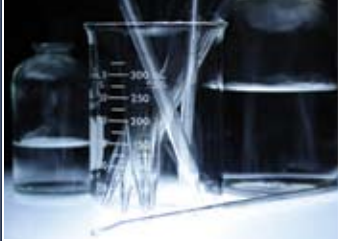


THE LINGLE-AIONA ADMINISTRATION

# 2007 INITIATIVES

THE FUTURE BEGINS TODAY





# Aloha

The 2007 legislative session will be one of the most important in decades, as we lay the foundation for Hawai'i's future – the "Hawai'i Century."

In order to ensure a secure future in the global economy, we must begin to reorient our own economy from an over dependence on land development to a reliance on human and innovation development – from finite parameters to infinite possibilities.

The potential of human creativity is limitless. Fostering an "innovation economy" will require a major adjustment in our education system, workforce training, global orientation and allocation of public resources. We will need to emphasize and develop heightened science, technology, engineering and math skills in our students through specialized programs, link our state with other parts of the Asia-Pacific region, and fund the kind of public-private partnerships that will provide the economic infrastructure needed for true economic diversification.

While investing in the future, we will continue to address the pressing needs of the present to improve our citizens' quality of life.

These include providing substantive tax relief for our over-burdened families, expanding access to quality healthcare while reversing the financial problems plaguing our doctors and hospitals, developing more transitional shelters and affordable housing, revising our land use priorities and processes, and continuing to improve our transportation infrastructure – highways, harbors and airports.

Working together with the legislature, government agencies, community groups, and individuals, we must start building for Hawai'i's future today.

We must show the public we are willing to invest in initiatives that will bear their most abundant fruit after we are no longer in office and that we do it simply because it's the right thing to do.

The future begins today!

**Linda Lingle**  
*Governor*

**James R. "Duke" Aiona, Jr.**  
*Lieutenant Governor*

*Improving the  
Quality of Life  
for Hawai'i's People*



(Top) Kona International Market.  
(Bottom) Hawai'i Seniors Fair.



## AFFORDABLE HOUSING

Everyone deserves a decent, safe and affordable place to live. Hawaii's global real estate market presents special challenges that make it imperative for us to increase the supply of affordable rentals and for-sale homes for our residents. It is also essential that we provide immediate shelter to those who are homeless and in need. Significant strides have been made over the last several years, and we will continue to build upon our successes by ensuring adequate State support for developing, constructing, repairing and improving housing throughout the islands.

### Build More Affordable Housing

- Appropriate \$50 million into the Dwelling Unit Revolving Fund. The fund is leveraged by private developers and non-profit organizations to construct roads, water and sewer systems, as well as actual housing. It is estimated these funds could be leveraged to build 1,000 new units over the next two years.
- Permanently increase the percentage of the conveyance tax that is deposited into the Rental Housing Trust Fund from 30% to 65%. The previous one-time increase to 50% will expire at the end of June 2007. A permanent increase will bring an estimated \$30 million in annual revenues into the fund, which is used to build rental units for elderly and lower-income families.
- Infuse \$50 million over the next two years into the Rental Housing Trust Fund to develop and build affordable units. This will complement funds from the conveyance tax and dramatically increase the funding available for rental housing.
- Accelerate funds to the Department of Hawaiian Home Lands and allow it to spend \$90 million during the next two years to continue its building program for native Hawaiians.



### Improve Public Housing, Rental Assistance and Address Homelessness

- Authorize \$40 million in bonds for the long-overdue repair and renovation of public housing projects statewide. Federal funds are no longer enough to repair and maintain the nearly 6,000 units in the current inventory.
- Provide an additional \$15 million in bonds to repair and upgrade elevators at public housing projects statewide.
- Appropriate \$10 million to increase security patrols and perform routine maintenance at public housing projects. This appropriation includes repairs necessary to make vacant units available more quickly.
- Remove the State Rent Supplement Program's statutory limit of \$160 per month and increase the income eligibility from 50% of the area median income to 100% of the median income (\$63,300 for a family of four), which would help more people benefit from the program.
- Provide over \$13 million for support services at homeless shelters and transitional housing projects. These programs provide job training, substance abuse counseling and other services to prepare families and individuals to move toward self-sufficiency.



(Top) Governor Lingle convened a "Homelessness Solutions" meeting on O'ahu's Leeward Coast.

(Bottom) Lt. Governor Aiona joined state and community leaders to "turn the soil" at the Ainahau Vista groundbreaking.

## Keeping Housing Affordable

- Exempt community land trust housing projects from the mandatory 10-year buy back and shared appreciation equity restrictions. Because homeowners on land trust property must sell their home back to the trust so it can be resold to another income-qualified family, the buy back restrictions are not appropriate.
- Allow the Hawai'i Community Development Authority (HCDA) to exercise its buy back provisions for the 1,388 affordable units in Kaka'ako so the homes can be resold as affordable units. Broad language in a 2006 law prohibits HCDA from currently reselling these units.
- Enable the Department of Hawaiian Home Lands and the Hawai'i Finance and Development Corporation to build affordable projects more quickly by allowing them to begin projects when the initial construction funds are available, rather than waiting until the full build-out funds are appropriated. This will allow these agencies to proceed in the same way private developers finance their housing projects.
- Authorize the Department of Hawaiian Home Lands (DHHL) to regulate the transfers of leases so these leases cannot be traded for money or transferred to persons who should not be eligible to receive them (persons not on the DHHL waiting list or far down on the list).



(Top) Governor Lingle and Kukui Gardens residents.

(Bottom) Lt. Governor Aiona assisted in the untying of the maile lei at the Ainahau Vista groundbreaking.





## HEALTHCARE

Every resident of Hawai'i should have access to the healthcare they require. Improving access to healthcare, encouraging competition among health insurance providers, increasing the number of nurses with advanced degrees, helping doctors reduce their malpractice costs, supporting current hospitals and allowing additional hospitals to be built will help meet our goals of accessible and affordable healthcare for all our residents.

### Supporting Hospitals

- Exempt Malulani Health and Medical Center from the Certificate of Need (CON) process to allow a second state-of-the-art acute care hospital to be built on Maui, currently the only county in Hawai'i with only one acute care hospital.
- Appropriate \$950,000 in emergency funds for Kahuku Hospital to help the facility reorganize and affiliate with the state's Hawai'i Health Systems Corporation (HHSC). An additional \$1.5 million is provided to continue operations of the hospital after it joins the HHSC.
- Raise the ceiling on the HHSC fund to allow hospitals to spend the additional revenues they are receiving from their expanded operations in Hamakua, Kona, Kaua'i, and Maui.
- Authorize \$20 million in general obligation bonds to repair and renovate community hospitals operated by Hawai'i Health Systems Corporation.

### Increase Access to Healthcare

- Revise the state process for deciding what healthcare facilities can be built and operated in Hawai'i to allow more hospitals, clinics, care homes, pharmacies and other services to be offered without going through a lengthy government approval process called the Certificate of Need (CON).



Maui Memorial Hospital dedication ceremony for new wing.

### Increase Access to Healthcare (continued)

- Allow local communities to have the final say on what health care services are offered in their area. When a service or facility is turned down by the State, require that any reconsideration hearing be held in the county where the proposed service or facility would be located.
- Increase outpatient mental health services by \$20 million over the next two years, extending service to an estimated 5,000 adults.
- Add 64 staff positions and increase financial support for community mental health centers to provide additional counseling and treatment programs.
- Consolidate the Hawai'i Rx Plus and Medicare Part D State Pharmacy Assistance programs into one comprehensive "State Pharmacy Assistance Program," enabling the State to negotiate for lower drug prices and operate the drug reimbursement programs more effectively.
- Allow Hawai'i residents in the QUEST health insurance program who suffer from immunodeficient diseases to have the same access to proper medications as non-QUEST covered residents.
- Extend group health insurance coverage for small employers to include self-employed individuals with no employees and small companies with part-time staff.

## Helping Doctors Help Others

- Ensure that doctors and healthcare providers who qualify for federal Medicare 10% shortage and 5% scarcity payments receive the extra funds they deserve for providing care to underserved and rural areas. Work with the Congressional delegation to adjust Hawai'i's Medicare reimbursement rates and apply for cost of living adjustments for Hawai'i's doctors.
- Reform medical malpractice laws to cap the amount of non-economic damages, limit lawyers' fees and allow for payment based on the proportion of fault. This would eliminate the current "deep pocket" system where the person who has the most money pays, even if they were not the one who caused the major harm.
- Provide for civil immunity to "Good Samaritan" doctors who provide emergency treatment without compensation, except when there is gross negligence.

## More Nurses

- Establish a statewide Nursing Consortium responsible for planning, implementing and evaluating undergraduate and graduate nursing programs on all University of Hawai'i campuses.
- Create a nursing specialty in geriatrics, recognizing the need to prepare for our increasing aging population.



Department of Human Services Director Lillian Koller joins Governor Lingle in check presentation of federal funds for Hawai'i hospitals.



Governor Lingle attended the opening of Maui Memorial Hospital's new wing.

### **More Nurses**

- Increase funding to the University of Hawai'i School of Nursing and Dental Hygiene to increase the number of nurses graduating, as well as encourage more nurses to obtain master's degrees and become community college instructors.

### **Increasing Competition**

- Encourage more health insurers to enter the market by eliminating the 4% premium tax on for-profit insurers that non-profit, in-state health insurers currently do not have to pay.
- Cap the amount of excess reserves that health insurers can hold to 30% of annual expenses to ensure that insurance rates are fairly set by all insurance companies.
- Reinstate the authority of the insurance commissioner to oversee health insurance rates and disapprove rates that are excessive, inadequate or unfairly discriminatory.

## TRANSPORTATION

Daily, we travel by land, sea and air. We recognize that our aging transportation systems are in need of continuing repair and maintenance. Our proposals include upgrading the infrastructure of our harbors, the continuing modernization of airport facilities on all islands and making further improvements to state roadways on every island.

### Airports and Harbors

- Initiate the 12-year, \$2.3 billion comprehensive modernization plan for the State airports system, beginning with a new connector and automated people-mover at Honolulu International Airport, improvements to its Diamond Head Concourse, a new cargo building and ramp at Hilo International Airport, and modernizing the jetways at all airports statewide.
- Appropriate \$10 million for pier improvements at Honolulu Harbor and Kahului Harbor.
- Rebuild Kalaupapa Harbor on Moloka'i so that supplies can continue to be received by this remote community.
- Formalize a partnership between the State Department of Transportation's Harbors Division and the Aloha Tower Development Corporation (ATDC). This would allow the ATDC to act as the State's development arm, working with the Harbor Users Group, to plan and redevelop all harbors statewide and accommodate increasing cargo needs for the 21st century.

### Highways

- Aggressively move forward on \$133.2 million in major highway projects, including the North-South Road in West O'ahu, Honoapi'ilani Highway widening on Maui, the East-West Connector Road on O'ahu, and the Queen Ka'ahumanu Highway in Kona.



(Top) Kahului Boat Ramp dedication.

(Bottom) Lt. Governor Aiona watched as the maile lei is untied, signifying the opening of the sixth westbound lane on the H-1 Freeway.

## Highways

- Provide a cash infusion of \$36.4 million per year into the State Highway Fund to ensure that basic and essential repairs and maintenance take place in a timely manner.
- Make permanent the current rental vehicle surcharge of \$3 per day, which is set to expire on June 30, 2007. This will continue the flow of \$14 million a year into the State Highway Fund.

## Improve Traffic Flow and Safety

- Allow the Director of the Department of Transportation to establish the occupancy requirements for High Occupancy Vehicle (HOV) lanes to meet actual traffic conditions, rather than having the occupancy levels rigidly set in statute.
- Dramatically increase the fines and penalties, from \$1,000 to \$5,000, for those who vandalize public property with graffiti.
- Ensure that truck and bus drivers, and others who hold commercial driver's licenses, cannot keep their license if they have a deferred guilty plea for a major traffic violation.

## PROTECTING HAWAII'S CITIZENS

Whether in their homes, crossing or driving on a street, walking or playing in a public park, everyone in Hawai'i should be free from the fear of assault or injury from others. Our Administration is committed to protecting our citizens and visitors. Our initiatives include strengthening penalties for drivers who fail to yield for pedestrians in crosswalks, toughening penalties for those who use illegal drugs and abuse alcohol, increasing protection for our children through foster parenting and hanai parenting, and protecting our kupuna.

### Traffic Safety

- Stiffen penalties for drivers who fail to yield to pedestrians in the crosswalk. Offenders would be faced with fines up to \$1,000, loss of their license and prison time if they have three offenses within 2 years.
- Make it a felony with stiff penalties of up to \$10,000 and five years in jail for continuing to drive a vehicle after having a driver's license revoked.
- Allow law enforcement personnel to use evidence of whether a person was wearing a helmet or seat belt to determine their level of negligence when a traffic accident occurs.

### Drug and Alcohol Abuse

- Make it easier to convict those who provide alcohol to a minor and require mandatory jail time for those who are convicted.
- Make it easier to charge a person who is trafficking in crystal methamphetamine, and to charge sex offenders by using "information charging" rather than requiring a police officer to testify in person.
- Establish a pilot program with the John A. Burns School of Medicine for substance abuse intervention and treatment when the person is most likely to listen – at the time they are in the emergency room for a substance abuse problem.



(Top) Governor Lingle, Lt. Governor Aiona and Hawai'i first responders.

(Bottom) Lt. Governor Aiona, state, city and community members crossed an intersection after meeting with residents about the pedestrian crosswalk law.

### Helping Law Enforcement Officers

- Grant law enforcement officials access to birth and death certificates and other vital records during investigations and prosecutions, while ensuring privacy safeguards are in place.
- Clarify “knock and announce” rules so that police officers do not have to jeopardize their personal safety before entering a suspected crime location.
- Require scrap dealers to ensure that the copper they are purchasing is not stolen.
- Enable law enforcement personnel to reasonably obtain DNA samples from convicted felons who refuse to comply.
- Protect victims of domestic violence by increasing the felony level of anyone who commits a violent crime when they are under a temporary restraining order.
- Treat victims and defendants the same way by allowing a defendant’s prior convictions of dishonesty to be used when determining if that person is telling the truth in court.



## Protecting Children

- Prohibit sex offenders from changing their name to avoid the sex offender registry.
- Strengthen the Child Support Enforcement Agency's ability to collect and disburse child support payments.
- Expand the definition of “endangering the welfare of a minor” to include situations where an adult causes a child to ingest, inhale or otherwise use a dangerous drug.
- Increase to 60 months the length of time a foster child may use higher education benefits and allow the foster child to use these benefits until the age of 26.
- Allow the courts to grant legal guardianship to “hanai parents” without terminating the parental rights of biological parents.
- Refocus the Youth Correctional Facility to emphasize rehabilitation rather than punishment.



(Top) Seagull Schools groundbreaking.

(Bottom) Governor Lingle and Lt. Governor Aiona at the Next Step Shelter keiki birthday party.



Hawai'i Seniors' Fair.

### Protecting Seniors

- Increase administrative and civil penalties against security brokers who target or injure senior citizens.
- Make it a requirement that financial institutions report suspected financial abuse when it is directed towards seniors.
- Add an additional sanction of \$10,000 against a mortgage broker who violates the broker law when they harm senior citizens.

## PROTECTING CONSUMERS

Consumer protection continues to be a high priority for our Administration. Our initiatives include further oversight of the petroleum industry to protect against overcharging or price gouging, expanding the authority of the Department of Commerce & Consumer Affairs' Insurance Fraud Investigations Branch, and giving the Department of Agriculture increased authority to inspect animals and collect product samples to act quickly to protect our food supply.

### Expanding Consumer Protections

- Establish licensing and solvency requirements for prescription drug plans that offer pharmacy benefits under the new federal Medicare Part D program.
- Make 50 existing temporary positions in the Regulated Industries Complaints Office permanent.
- Expand the authority of the Insurance Commissioner to investigate and prosecute insurance fraud.
- Toughen the penalties imposed on those who repeatedly violate insurance laws.
- Protect homeowners facing foreclosure from distressed property sales by requiring consultants to provide the homeowner with a written contract, and providing the homeowner the right to cancel the contract before the transaction takes place.
- Tighten the procedures covering funeral and cemetery contracts, making it clear when a company must allow a buyer to terminate, cancel or get a refund.

### Oversight of the Utility Industry

- Make it an unfair or deceptive practice for an oil company to engage in price gouging during an emergency.
- Increase the number of utility analysts in the Division of Consumer Advocacy from four to ten.
- Strengthen the Public Utility Commission's authority and power to monitor and report on the activities of utility companies.



*Leading the Way*  
*for Hawai'i's Future*



(Top) Visit with Honolulu Council of Girl Scouts.  
(Bottom) Next Step Shelter.



## ENVIRONMENT

Protecting our unique natural resources remains a high priority for our Administration. The recent designation of the Northwestern Hawaiian Islands (NWHI) as the largest marine national monument is a good example. Whether promoting greater energy efficiency or caring for our oceans, we propose initiatives that provide significant, meaningful and continued preservation of our scenic beauty and unmatched natural splendor.

### Promoting Greater Energy Efficiency and Renewable Energy

- Establish a Renewable Energy Siting Council to serve as a single place to obtain permits and approvals for renewable energy projects. This will significantly accelerate the process to get renewable energy facilities in operation.
- Make it clear that the Public Utilities Commission shall take renewable energy uses into consideration when granting approvals of new power facilities or adjusting tariffs and rates for power producers.
- Offer an income tax credit for individuals who buy “Energy Star” appliances that meet energy efficiency guidelines established by the federal Environmental Protection Agency (EPA) and the federal Department of Energy.
- Provide \$21.5 million in bonds over the next 2 years to retrofit public buildings and operations to make them more energy efficient.
- Work aggressively with the Natural Energy Lab and the Ocean Thermal Energy Council on the Kona Coast to make ocean thermal energy a viable and reliable source of power.

### Protecting Our Oceans

- Make the Hawai'i Ocean and Coastal Council a permanent group to provide advice and guidance on ocean policy. The Council expired in May 2006.
- Clarify that the Department of Land and Natural Resources is responsible for removing abandoned boats from State waters, while the counties are responsible for boats left on county roads.



(Top) Governor Lingle is joined by Jean-Michel Cousteau during a visit to Midway Atoll National Wildlife Refuge in the Northwestern Hawaiian Islands.

(Bottom) NOAA Chief Scientist and Archaeologist Michael Overfield shows Governor Lingle a map of the Wai'anae coastline as Allen Tom, Pacific Islands Regional Coordinator, NOAA, National Marine Sanctuary Program looks on.

### Protecting Our Oceans

- Increase the fines on citizens who violate federal and state pollution laws. Current State law sets the maximum fine at \$10,000. However, the federal government can impose fines on the State of up to \$27,500 per violation per day, even though the violator was a private entity. This bill would allow the State to recover the full amount of the federal fine.

### Protecting Our Lands

- Restore \$2 million for the Hawai'i Invasive Species Council to reinstate eradication programs targeting foreign pests and plants.
- Step up enforcement of existing environmental laws by hiring 40 additional Conservation and Resource Enforcement Officers, a 36% increase, to the staff of the Department of Land and Natural Resources to patrol and protect wilderness areas.
- Add 10 new Park Rangers and additional maintenance personnel to ensure proper stewardship of our State parks.
- Appropriate \$143 million over the next two years for the Department of Land and Natural Resources to continue with numerous projects, including rockfall mitigation, purchasing land adjacent to Ma'alaea Small Boat Harbor, and improving the air conditioning in 'Iolani Palace. \$20 million is set aside for parks improvements and another \$20 million is dedicated to small boat harbor improvements.



### Protecting Our Lands (continued)

- Streamline the acquisition of legacy lands set aside to protect natural areas, by allowing the Department of Land and Natural Resources to acquire the land using an outside appraisal done within the previous year. Currently all land purchases require an appraisal by a state contractor.
- Upgrade the Deposit Beverage Container program by allowing consumers to return their empty containers directly to retail outlets and eliminating the 1-cent non-refundable handling fee currently charged on each bottle or can.
- Establish a process to determine the shoreline setback area that recognizes the impact of erosion and changing beach conditions over time.



(Top) Energy Star recognizes the Kapolei State Building for being energy efficient.  
(Bottom) Waimea Canyon on Kauai.



## LAND USE & AGRICULTURE

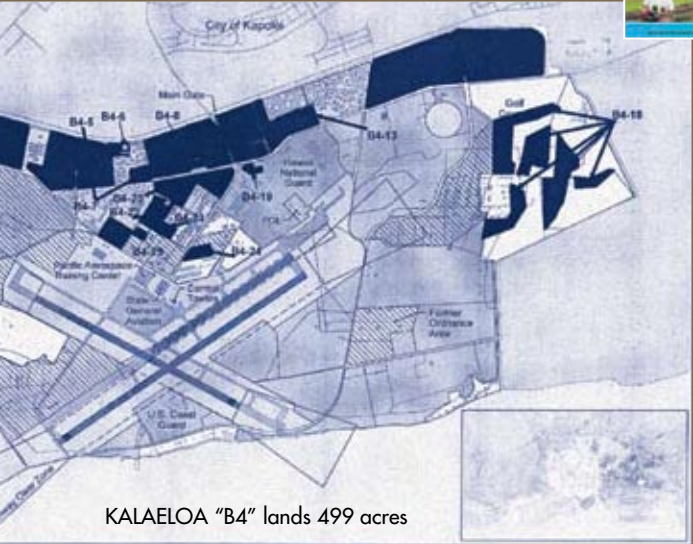
Dynamic forces are at work to shape the future use of land in our islands. We should direct these forces in a manner that preserves economically viable agricultural operations, encourage the creation of rural communities, seize opportunities to build safe residential communities, and preserve our natural and scenic beauty.

### Preserving Land for Agriculture

- Provide incentives to encourage landowners to designate their property as Important Agricultural Land (IAL), including:
  - 1) Exempting from GET and income taxes lease payments to private landowners who lease their property to farmers.
  - 2) Offering a 100% tax credit for landowners who invest in infrastructure improvements to make their parcels usable for agriculture, such as irrigation systems, roads, utilities, housing for agricultural workers, and certain crop processing facilities.
  - 3) Providing state guarantees for low-interest 10-to-20-year loans made to farmers or farming associations. The loans could cover up to 85% of the total farm project's costs.
  - 4) Establishing a priority for processing permits for farming operations on IAL.
- Better define Important Agricultural Lands to specify that land can be used to cultivate crops, game and fish and raise livestock. Clarify that the land should contain one farm dwelling per 50 acres, plus housing for agricultural workers, and that this housing should be clustered on 2% of the parcel. Also, allow biofuel and other alternative energy facilities to be built on agriculturally designated land.
- Tighten the requirements counties must follow to issue building permits on agricultural parcels, including requiring a farming plan and evidence that farming is actually taking place on the property. This bill is aimed at stopping “fake farms.”

### Supporting Agricultural Activities

- Allow the Chair of the Board of Agriculture to approve agricultural loans up to \$75,000, rather than the current limit of \$25,000.



(Top) Leaders of Hawai'i Seal of Quality join Governor Lingle and Lt. Governor Aiona at the program kick-off event.  
 (Bottom) Kalaeloa.

### Supporting Agricultural Activities

- Consolidate agriculture and aquaculture loan programs into a single fund with similar qualifications and requirements, and raise the loan limits from \$400,000 to \$800,000.
- Create a special fund to collect revenues from the Hawai'i Seal of Quality program to help protect the value of our agricultural products, and move the program towards a self-sustaining operation.
- Appropriate \$17.75 million for the Waimanalo Irrigation System, the Upcountry Maui Irrigation System and reservoir safety improvements to irrigation systems in the rest of the state.

### Protecting Food Security

- Empower the Department of Agriculture to enter private areas housing livestock and poultry to inspect the animals and take samples to prevent the spread of disease that could pose a public health threat.

### Land Use

- Preserve and develop one of the last remaining large tracts of land appropriate for urban use on O'ahu by purchasing from the Navy 499 acres near the entrance to Kalaeloa, the former Barbers Point Naval Air Station (see map to the left).
- Encourage counties to create Rural Districts, based around a clustered town center with housing, surrounded by small scale farming that serves as a buffer to larger scale agricultural operations and open spaces.

### Land Use (continued)

- Launch a five-year pilot program in one county to exempt plan-based land use petitions submitted jointly by the county and State from going through the lengthy judicial-type proceedings of the Land Use Commission before the land can be redesignated for another use.
- If a land use designation or zoning change is not used within a certain period of time, the land use designation and zoning revert to the original designation. For development plans that have been in place for a certain number of years and have not yet been exercised, an updated environmental review would need to be conducted.

### Invest in O'ahu's Leeward Coast

- Broaden the scope of the Ko 'Olina tax credits to include other businesses and non-profit organizations that encourage job creation, while retaining Ko 'Olina's and Makaha's eligibility for these credits.
- Expand the scope of businesses that qualify for tax credits under the Leeward Coast Enterprise Zone designation to include agricultural activities that increase their gross sales by 2% each year.
- Help build the management capacity of organizations to engage in self-sufficiency activities by offering small technical assistance grants to community-based organizations.



(Top) Governor Lingle celebrates with Maui Land and Pineapple Company Inc. on their 100th anniversary.

(Bottom) O'ahu's Leeward Coast.



## TAX RELIEF

Hawai'i's already high cost of living keeps rising with increases in local taxes, including property taxes, sewer fees, and the ½% raise in the General Excise Tax on O'ahu. Gas taxes have risen to become the highest of any state. Health insurance premiums, college tuition, home prices, and shipping increases have also contributed to the squeeze on our family budgets.

Our Administration has consistently supported and proposed tax relief for working families and low income residents. This year, we again propose a comprehensive set of tax relief measures to help families with children or aging parents, working couples, and struggling individuals who deserve to get back some of their own money in the form of meaningful, long-term tax reform.

### Taxpayer Protection Act of 2007

Because our tax rates are not adjusted for inflation, we are all hit with a stealth tax increase each year. This measure would allow and empower the Director of Taxation to adjust the standard deduction, personal exemption and tax brackets every year in response to inflation, so that our citizens are not subject to this hidden tax.

### Raise the Standard Deduction

Increase the standard deduction to 75% of the 2005 Federal standard deduction so that a married couple's deduction would rise from \$4,000 to \$7,500. This would help over 80% of Hawai'i's taxpayers and keep \$30 million a year in their pockets.

### Eliminate the GET on Essential Foods

Eliminate the General Excise Tax (GET) on essential foods such as milk and dairy products, canned fish, and juices. This will eliminate \$40 million a year in taxes paid on foods and benefit everyone who buys groceries in Hawai'i, especially those struggling to feed their family. No one should be taxed for buying basic necessities.

### 'Ohana Tax Reduction Act of 2007

Provide an additional \$1,000 exemption for each child 18 years or younger for families with household incomes of \$100,000 or less, and \$500 per child for those between \$100,000 and \$200,000. Also increase the allowable dependent care expenses from \$2,400 to \$5,000 per dependent so that families with young children or aging parents, or both, get tax relief for taking care of their loved ones.

### Constitutional Rebate

Provides a one-time cash refund of \$100 for families (taxpayers and dependents) with incomes less than \$100,000 and \$25 for those over \$100,000. A refund is required by the State Constitution because of our large surpluses during the past two years. This would give a family of four earning less than \$100,000 an check from the state for \$400.



(Top) Governor Lingle and members of the North Shore Chamber of Commerce.

(Bottom) Governor Lingle meets with families at the USO Salute to our troops.

### **Biofuels Tax Exemption**

Reinstate the tax exemption on alcohol fuels, such as ethanol, and indefinitely extend the exemption to all biofuels, including biodiesel. This will reverse the 11-cent-per-gallon increase that hit drivers on January 1, 2007, when the exemption expired.

### **Vehicle Tax and Registration Fee Exemption**

Exempt non-commercial vehicles owned by members of the National Guard and Reserves from state tax and registration fees.



## EMERGENCY PREPAREDNESS

As an island state, Hawai'i is vulnerable to hurricanes, earthquakes, tsunamis, floods, diseases, and other natural and man-made disasters. It is imperative for our state to be prepared, which includes precautionary measures for State and county authorities, as well as individual residents. Our Administration is proposing improvements to emergency warning systems, an enhanced emergency operations center, and the ability to respond rapidly to pending emergencies.

### Disaster Planning

- Spend \$5.2 million to purchase additional warning sirens and communications equipment, as well as support an emergency operating center in downtown Honolulu.
- Enhance the ability of the State to obtain information on the state's energy supply and markets during emergencies so that sound allocation decisions can be made.
- Encourage private homeowners to construct a "safe room" in their residence, utilizing the funds available through the Loss Mitigation Grant program.
- Appropriate \$2 million in FY2007-2008 to fund the installation of wind-resistant devices on residences.
- Allow the State Contractor Licensing Board to expedite temporary licenses for outside contractors to help perform clean up and repair work in the aftermath of a disaster.
- Provide funds to the Consumer Advocate to investigate the power outages that occurred on Maui, Hawai'i, and O'ahu during the October 15, 2006 earthquake.
- Increase the compensation of the State Civil Defense vice director to ensure that we continue to attract top talent to the position.



(Upper left) Bird Flu Exercise at the Pentagon.  
(Bottom Left) Pandemic Flu Summit.  
(Upper right) Governor Lingle prepares to inspect the damage following the Ka Loko Dam tragedy on Kaua'i.  
(Bottom right) Emergency Preparedness news conference.

## Dam Safety

- Allocate \$20.5 million to the Department of Land and Natural Resources and \$10.3 million for the Department of Agriculture to assess, maintain and stabilize dams and reservoirs throughout the State.
- Appropriate \$2.5 million to pursue civil and criminal litigation involving the Ka Loko Dam tragedy, ensure the recovery of the costs to make repairs and stabilize the storm-damaged slopes from last year's extensive rains, and to cover the costs of experts who reviewed the structural integrity of all state dams during the 2006 rains.

## TRANSPARENT & EFFICIENT GOVERNMENT

To improve the effectiveness of government programs, the Lingle-Aiona Administration will continue to make government operations open and accessible, streamline services to the public and attract and retain quality public employees

### Registration of High Tech Business and Investors (Under Act 221/Act 215)

- Create a means to register and obtain key information from businesses that receive investments encouraged by Act 221 and Act 215 in order to analyze the benefits of these tax credits.

### Return Unclaimed Property

- Repeal the current law which allows the State to keep unclaimed property after two-to-six years (depending on the property's value). The State currently holds over \$120 million in unclaimed property (the majority of which is cash and stocks), and has recently launched public outreach campaigns to encourage more people to find and claim their rightful property.

### Make Permanent the Access Hawai'i Committee

- The Access Hawai'i Committee was created in 2000 to ensure the State's internet resources were being used efficiently by the State's hired contractor. Although this task still exists, the oversight committee was allowed to sunset in June 2005. However, it has still been meeting informally since then, and would provide a level of accountability and openness in these matters if made permanent.

### Enhance Tax Collection

- Continue to upgrade the Department of Taxation's computer system, following the Integrated Information Management Systems Revenue-Generating Initiative begun in 1999.
- Authorize the Department of Taxation to require electronic filing from certain specific tax returns, such as out-of-state corporations.
- Conform state tax laws with federal statutes.



(Top) Governor Lingle talks with workers at the state's Unclaimed Property booth.

(Bottom) Governor Lingle addresses University of Hawaii's outstanding alumni.

### Allow Transfer of Monies from Hawaiian Home Receipts Fund to Native Hawaiian Rehabilitation Fund

- The Native Hawaiian Rehabilitation Fund was created through the State Constitution to promote, improve and perpetuate the general welfare of native Hawaiians. By law, this fund's only source of revenue comes from dwindling sugar lands and water licenses. Allowing the Department of Hawaiian Home Lands to use revenue from commercial and industrial releases for the Hawaiian home receipts fund to the Native Hawaiian Rehabilitation Fund will ensure its sustainability into the future.

### Increase the University's Autonomy

- Create a seven-member independent Advisory Council to screen and propose candidates for the University of Hawaii's Board of Regents to the Governor. Council members may not hold or run for public office to ensure impartiality. The Governor would appoint the chairperson.
- Exempt the University of Hawaii from the State Procurement Code, giving it the same status and authority as the Research Corporation of Hawaii.

### Restrict Frivolous Lawsuits By Inmates

- Limit inmates to a total of three frivolous lawsuits filed against the staff of the Department of Public Safety (PSD) of prisons operations. There is clear evidence that some inmates repeatedly file lawsuits as a tactic to tie up the PSD. This measure would require inmates to pay the legal costs of lawsuits found to be “frivolous” after three such suits have been filed and dismissed by the courts.

### Increase Government Effectiveness by Attracting and Retaining Quality Employees

- “De-link” salaries of certain appointed employees and board members (but not Cabinet members) from the salary scale of specific department heads so that their pay will better correspond to their qualifications and performance.



HireNet Hawaii, Department of Labor's online job resource, kicks off at the Capitol.



## HELPING EMPLOYERS & EMPLOYEES

Helping to control costs and sustain a company's business benefits both employers and employees. Our Administration is proposing changes to improve health and retirement plans for workers statewide. Streamlining workers' compensation laws to provide ways for workers to receive necessary medical treatment and return to their jobs as soon as they are able, and assisting businesses in absorbing increases in the minimum wage will benefit Hawai'i's workforce.

### Increasing Wages and Benefits

- Lower the wage base and adjust the reserves in the unemployment insurance fund so employers have \$265 million more over the next five years to spend on wage increases, benefit enhancements and job creation.
- Increase the tip credit to help businesses absorb increases in the minimum wage and help equalize wages between tip and non-tip employees.
- Allow self-employed individuals and sole proprietors to qualify for group health insurance rates.

### Workers' Compensation

- Curtail inappropriate use of the workers' compensation system by employees who are involved in a proper personnel action dealing with poor performance, discipline or promotion.
- Give employers an opportunity to provide employees with a designated list of physicians who treat and care for injured workers.
- Allow for the resolution of workers' compensation claims via Alternative Dispute Resolution, rather than going to court.
- Allow small business owners, such as sole proprietors, to opt out of the workers' compensation program.
- Allow the insurance commissioner to investigate workers' compensation fraud.



(Top) National Federation of Independent Businesses (NFIB) breakfast.  
(Bottom) Governor Lingle meets with a representative of Dongbu Insurance,  
a captive insurance company.

### Enhancing the Economy

- Encourage more captive insurance companies to establish business in Hawai'i by capping their premium tax at \$200,000.
- Allow expedited fee adjustments for professional and vocational licenses, so that discounts of up to 50% can be offered in a prompt manner.
- Improve banking laws by eliminating regulatory burdens and making enhancements such as placing foreign-licensed banks on equal footing with state-chartered institutions.



# INNOVATION

# INNOV



# ATION

**H**awai'i's continued prosperity and ability to preserve its quality of life depends on reducing our dependence on land as the chief driver of economic development and meeting the new challenges of the global economy.

Our state's economic development policy needs to shift toward developing our people and their capacity to innovate. Increasing a worker's innovation capacity will enable companies and citizens to compete effectively in a global economy and create new, higher-paying jobs in our state.

Innovation is a dynamic process which links together Hawai'i's people, Hawai'i's knowledge, and our many assets to transform ideas, insights and inventions into new processes, products and services. It has been part of Hawai'i's history, from the earliest Polynesian voyagers who used innovation to navigate their way over thousands of miles of open ocean to later immigrants who transformed these islands into a Pacific trading hub. Hawai'i's early innovators found new ways of farming, fishing, and creating one of the world's most desired destinations.

Innovation applies to both existing and new industries, leading to economic diversification and sustainability. It will lead to new companies with higher-paying jobs in areas where Hawai'i has natural competitive advantages, and enable us to increase our standard of living while using fewer natural resources, including land. Innovation's measurable results are new or improved products, services or production processes.

The following are five key interrelated policy components of a multi-year effort encompassing a variety of initiatives to transform Hawai'i's economy by developing the innovative capacity of our people.



## INNOVATION IN EDUCATION

Equip and significantly increase the number of Hawai'i secondary school graduates with world-class analytical and problem solving skills developed through science, technology, engineering and math (**STEM**) education. Beginning in middle school through college, prepare students for the workplace or post-secondary education. To that end, provide incentives for families to make STEM education and career choices, as well as opportunities for teachers for additional STEM training.

- **FIRST** (Fostering Inspiration and Relevance from Science and Technology) Academy: Engage middle school students with math, science, engineering, problem-solving and teamwork concepts in a project-based contextual learning environment (e.g. Robotics).
- **HiEST** (Hawai'i Excellence through Science and Technology) Academy: High school standards-based science and technology curriculum taught by community college instructors or teachers certified by the community colleges. Students will earn community college credits as well as high school credits.
- Undergraduate tuition **scholarships** at in-state colleges to students who complete the academy program.
- Teacher incentives include **professional development** through a University of Hawai'i training program for elementary, middle and high school math and science teachers.
- **Tuition Edge Enhancement**: An annual state tax deduction of \$10,000 for single filers and \$20,000 for dual filers for higher education savings accounts.
- Strengthen **higher education institutions** as “drivers” for innovation, including:
  - 1) Recruit distinguished faculty through State match of private sector **endowment** of faculty chairs in STEM disciplines at UH.
  - 2) Increasing the number of licensing agreements and **commercialization opportunities** through private industry partnering with the University of Hawai'i's Office of Technology Transfer and Economic Development (OTTED).



## INNOVATION IN THE ECONOMY

Create the infrastructure and environment in Hawai'i that encourages the creation of ideas and their conversion to products and services that can be sold in global markets:

- Create a **Hawai'i Innovation Council** to guide and assess public and private sector initiatives and investments.
- Support a private sector-led life sciences and biotech research facility and **technology incubator in Kaka'ako**.
- **Invest in Hawai'i's creative industry** by developing:
  - 1) A **Digital Media Center** to act as catalyst, incubator and aggregator for the development of a local film and digital media sector.
  - 2) A **Music Enterprise Learning Experience (MELE)**: By applying the successful "Nashville" model from Belmont University, build the technical and business skills of Hawai'i's artists in the music industry into a global business.
- \$100 million professionally managed **Hawai'i Innovation Fund** to provide capital for promising emerging companies.





## INNOVATION IN WORKFORCE DEVELOPMENT

Create life-long learning and skill-building opportunities for incumbent workers, institutionalize the State's ability to respond to rapidly changing new skill-set needs of employees and employers, and enhance "brain gain" by effective recruitment of returning kama'aina from around the world:

- Create employee-centered portable "**Lifetime Learning Accounts**," enabling employees already in the workforce to set aside pre-tax monies, matched by employers, for participation in approved training programs.
- Deploy a **Rapid Response Training program** to enable quick turn-around of training programs tailored to market-driven demand for specialized skill-sets. Examples include advanced avionics technicians (for new submarine to be based at Pearl Harbor), lab technicians (to attract new life sciences companies to Hawai'i), digital media programmers (for emerging special effects firms in Hawai'i).
- "**Kama'aina Come Home**" is a state-wide program enabling Hawai'i businesses to track, contact and recruit kama'aina to return to Hawai'i for job opportunities.
- Merge **workforce development programs** with the State's economic development objectives by placing these programs under the Department of Business, Economic Development and Tourism.
- Significantly expand and standardize **business internship and mentoring programs** for secondary school students in order to prepare them to enter the labor force with work-ready skills.



## INNOVATION IN LINKING HAWAII TO THE GLOBAL ECONOMY

Create the infrastructure needed for Hawaii to play a leading role in the Asia-Pacific region in areas that build on the State's competitive advantages:

- Through the **Office of International Affairs** catalogue all international resources, activities and programs in Hawaii and throughout the Asia-Pacific region which can be easily accessed by all Hawaii citizens and organizations through an internet portal.
- Through a newly established **International Affairs Council** and the State's Office of International Affairs, support Hawaii's existing international and **Asia-Pacific-related organizations'** efforts to enhance the State's and its residents' global orientation (e.g., Pacific and Asian Affairs Council, Japan-America Society, East-West Center, and Asia-Pacific Center for Strategic Studies, Consular Corps, the military, etc.).
- Link Hawaii to existing and emerging **innovation and creativity centers** around the Pacific Rim (e.g. Silicon Valley or Singapore, San Jose or Shanghai) to increase the exchange of people, products and ideas beneficial to Hawaii's innovation economy objectives.
- Expand existing Hawaii-based **international leadership training and education programs** to include Hawaii high school and private sector participation.
- Organize an "**International Education Links**" program that provides every Hawaii middle and high school **student with the opportunity to gain global understanding** through school excursions to countries in the Asia-Pacific region, study abroad programs, online sister school relationships with local schools and teacher exchange programs.



## INNOVATION IN STATE GOVERNMENT

State Government will lead Innovation by example:

- All State **permitting online by 2010**, unless prohibited by law.
- Upgrade State back-office and administrative functions through a **digital (paperless) network**.
- Create a **Chief Information Technology Officer** position.
- Expand affordable **wireless broadband service** on all islands and **offer free internet service** in public areas of state buildings, public libraries and schools.
- Improve the State's ability to **measure the impact of innovation** on our economy.



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