

*Governor Linda Lingle*  
STATE OF THE STATE ADDRESS

**January 26, 2009**

Senate President Hanabusa, Speaker Say, Lt. Governor and Mrs. Aiona, former Governor Ariyoshi, members of the Legislature, cabinet members, Chief Justice Moon, Chair Apoliona, Mayor Tavares, Mayor Kenoi, military leaders, members of the Consular Corps, distinguished guests, and to the people of Hawai'i...good morning and aloha!

It is a great privilege and a humbling experience to come before you each year to share my thoughts about where our state stands, and where we are headed.

The annual State of the State Address is a time-honored tradition in states all across our great nation.

It is a time to take stock of where we are as a state, to recognize a few successes, and to lay out a clear roadmap for our future.

In this sense, it is a fairly typical speech.

But this has not been a typical year. We are facing a time like no other in our state's history.

And 2009 will be one of the most challenging years in our nation's history as we confront one of the severest economic crises we have ever faced.

The daunting task we face in the months ahead is making some very difficult decisions in order to address our immediate fiscal problems.

These are not decisions that any of us want to make, but they are decisions that must be made.

They are the same kinds of decisions being made across our state by individuals, families, businesses and organizations as they too confront a near-term future with substantially fewer financial resources, and a high degree of uncertainty.

I'm an optimist by nature...and as Winston Churchill said, "An optimist sees the opportunity in every difficulty."

So, I come before you today with a clear understanding of the enormity of what we face in the near term, but still enthusiastic about planning for our future together and optimistic about Hawai'i in the 21<sup>st</sup> century.

Together we will meet both our near-term and long-term obligations by making those decisions necessary to navigate through the turbulence of the current fiscal crisis and achieve our preferred future.

That future includes energy independence, increased food self-sufficiency, and a 21<sup>st</sup>-century infrastructure that supports existing and emerging industries.

Our future also includes a well-cared for environment that increases recreational opportunities across the state.

We cannot afford to merely hunker down and muddle through the next year or two.

This is a time for us to work together to address the immediate reality, while searching for those opportunities that will enable us to emerge from this situation stronger than ever.

This dual effort will take patience and courage because there will be those who want to ignore reality and continue spending at current levels.

And others who only want to deal with our immediate revenue shortfall while deferring any talk of the future.

Either approach would leave us far short of meeting our duty to the people of Hawai'i – a duty both to live within our means and position ourselves for a brighter future.

As we face this historic challenge, it is easy to forget how much success we have enjoyed in recent years.

I want to review the solid progress we have made in several areas, including home ownership and helping those most in need.

Since May of 2006 we have built nine new emergency shelters and transitional housing projects that provide safe and clean places to live for many who previously could only find a night's rest in our parks, beaches, doorways or in their cars.

Nearly 2,800 people, including hundreds of children, have received not only safe shelter, but social services and an outpouring of community support to help them transition from homelessness to self-sufficiency.

It took many people to achieve so much in just two-and-a-half short years. I want to thank our entire community for embracing and helping those who had lost all hope.

In an attempt to address a completely different kind of housing need, we're all aware of the success the Department of Hawaiian Home Lands has had.

They've awarded more land to their beneficiaries than at any time in the history of the trust, and we all enjoy seeing families who have waited for decades finally receiving their homesteads.

But there's a much larger DHHL story that will be fully revealed in the years ahead.

It is the story of a native Hawaiian agency that has chosen to meet its fiduciary duty to its beneficiaries by leading in a way that benefits the larger community of Hawai'i.

Whether it's their pivotal role in the \$110 million Kroc Center, development of the future DeBartolo regional mall, kick-starting the infrastructure UH West O'ahu needed in order to move forward, or being the first state department to move its entire O'ahu operation to the Second City of Kapolei, DHHL has chosen to lead.

We now look to them as an important and integral part of our economic recovery, and as an example of how to develop desirable communities.

They are even blazing their own trail in our state's efforts to achieve energy independence and provide a clean energy future for the generations that will follow.

Few could have envisioned six years ago the heights to which DHHL and the Hawaiian Homes Commission would soar.

I believe their well-recognized success has been achieved partly because of how they contributed to the broader community.

DHHL is not just about building homes, it is about building great communities.

And they have succeeded because they have demanded more of themselves and their beneficiaries.

The bottom line is that they have chosen to lead, not follow...and what a joy it has been to watch their transformation and ongoing journey.

I want to personally thank the DHHL staff and those who have served on the Hawaiian Homes Commission for showing us all what great things can be achieved when you recognize we are all part of one 'ohana.

An important part of that 'ohana is Hawai'i's keiki, especially those who are most vulnerable.

Two remarkable trends have occurred in Hawai'i's child welfare system since 2005.

The first is a 50 percent decline in the number of children in state care, to just 1,500 children, which is the lowest number since 1993.

At the same time, Hawai'i's child re-abuse rate also dropped by half to just 3.1 percent, which is one of the lowest re-abuse rates in the United States.

These positive trends were the result of a fundamental shift in the state's approach to child welfare.

The Department of Human Services previously removed children from the custody of their biological parents at a rate four times higher than the national average, with no improvement in safety outcomes.

Today, DHS, and its community partners, uses a comprehensive assessment system to carefully weigh the risk factors in a child's family environment, and ensure that they receive much-needed social services.

Director Lillian Koller has received national recognition for these and other achievements.

In November of last year, Governing Magazine honored her as a "Public Official of the Year" for widespread improvements at the Department of Human Services, including the overhaul of the child welfare system.

This was the first time a public official from Hawai‘i has won this prestigious national award.

I know Lillian believes that this success would not have been possible without our many outstanding social service agency partners as well as her own committed staff. Mahalo to all of you.

No matter how noteworthy these and other achievements may be, recent reductions in revenue forecasts mean that they and other worthy programs will take a back seat to our more immediate need to balance the budget.

Today’s struggling economy has created a deep hole in our budget that we need to dig out of this session.

The Council on Revenues has never in its history lowered its projections by so much in such a short period of time.

Over the past eight months, the Council has reduced its general fund revenue projection by \$1.4 billion.

This downward projection reflects an unprecedented decline in tourism, construction, business activity, and consumer demand brought about by national and international events beyond our control.

These events – including sub-prime lending, frozen credit markets and volatile oil and other commodity prices – will impact us for at least the next couple of years.

Climbing our way out of this hole won’t be easy.

It won’t be quick.

It won’t be without pain; but it will be done.

The pain that will be felt by individuals and organizations both in and out of government will cause some to search for a specific reason or person to blame.

When a recently retired couple watches the value of its 401K drop dramatically...or a family struggles to make the mortgage payment now that their work hours have been cut back...or a social service agency faces the need to lay off employees because the government reduces the purchase of a service contract they were counting on...it is natural to want to understand why this is happening, and to hold someone accountable.

But we must refrain from playing the blame game because we know this downturn was not caused by any of us.

And we know we had been making good decisions in recent years to create a brighter future for Hawai'i's people by lowering taxes, increasing science and math education, moving toward energy independence, and preserving more of our natural and cultural resources.

We also know that we are all in this together, and it is only by sticking together that we will be able to deal effectively with the immediate fiscal crisis and strengthen our economy in the long run.

We will need a mixture of courage, compassion, and collaboration to cope with the unprecedented budget gap we face.

Collaboration doesn't mean we will see all issues the same way, it means that for the sake of Hawai'i's future, we must acknowledge our predicament and find an acceptable way to move ourselves forward.

In order to do this, we must start by accepting the fact that in this new economic and fiscal environment, there is simply no possible way to continue operating and spending the way we have.

Although I am extremely optimistic about Hawai'i's long-term prospects, I am not going to sugarcoat the immediate challenge we face.

In order to maintain the public's confidence and trust, we must be open and honest about the nature and magnitude of what we are facing.

The reality is that we will have to make some unpopular choices that will reduce some services and cause others to be delivered in a different way.

Not because we want to, but because we can't afford business as usual.

A number of projects will likely be delayed, curtailed, or possibly eliminated.

Not because we want to, but because we can't afford business as usual.

We will have to ask government employees, like those who work in the private sector, to accept some reduction in wages and benefits.

Not because we want to, but because we can't afford business as usual.

Some who currently enjoy special tax credits, exemptions and deductions will see them reduced or eliminated.

Not because we want to, but because we can't afford business as usual.

This is a time of shared sacrifice when everyone must be willing to give up something.

This is a time when we must rely on each other, because no one is coming to rescue us.

We must also keep in mind that the economy will likely continue to soften in the near-term, perhaps causing the Council on Revenues to further reduce projections at its March meeting and then again in May after the budget is adopted.

We are not alone in facing this new reality and near-term uncertainty.

Families and businesses across the country and throughout our state have had to come to terms with this same situation.

But we should also recognize that the difficulty we face is temporary.

Our nation will regain its economic footing, and so will Hawai'i.

How fast we recover here at home will depend to some degree on the decisions we make during this session.

Our solutions need to be decisive enough to address our immediate situation, but just as important, must prepare the way for our future.

Short-term solutions that merely defer the hard choices to those who will follow us are just as bad as no solutions at all.

We can't meet our responsibility by kicking the can down the road.

We must make meaningful choices now that address the reality we face today while laying the foundation for a better future.

That better future is one that transitions us from an economy over-reliant on land development to one that is innovation-driven and relies on the capacity of our people.

A key area where we must bring innovation to bear is ending our over-reliance on imported foreign oil.

Oil pollutes the environment, it sucks billions of dollars out of our economy, and leaves us dependent on the goodwill of foreign countries and companies for our very survival.

We remain today the most oil-dependent state in America, but we have made great strides over the past few years.

Today windmills hum atop Kaheawa Ridge on Maui delivering clean, plentiful power and displacing the need to import 220,000 barrels of foreign oil each year.

On Lānaʻi, a 10-acre solar farm now provides 30 percent of the island's peak power needs.

A geothermal project on the Big Island that currently provides power for 30,000 homes is in discussions to increase its output by 50 percent.

And on Oʻahu, engineers are already figuring out where we will be plugging in the electric cars coming to dealer showrooms in the near future.

Last year we entered into a unique partnership with the federal Department of Energy called the Hawaiʻi Clean Energy Initiative or HCEI.

It established the goal of a 70 percent clean energy economy by 2030.

HCEI experts from government, national labs, our military, utilities, universities and the private sector have recommended specific actions to achieve the 70 percent clean energy goal through indigenous renewable resources and energy conservation.

My administration and legislators will introduce several bills based on these HCEI recommendations.

These changes will significantly increase energy efficiency in our commercial buildings and residences, give consumers more control over their energy costs, transition us to alternative fuel vehicles, such as electric cars, and ban new fossil fuel power plants in Hawai‘i.

When adopted, these proposals will form the basis for Hawai‘i’s transformation to one of the world’s first economies based primarily on clean energy.

Implementing these policy changes will require a large measure of collaboration as we will need public funding, assistance from county governments, conservation by citizens, and investment by the business community.

To successfully transition to a clean energy economy, we will need the involvement of our entire community, alignment of our efforts, and a continual focus on our objectives.

I expect there will be a fair amount of spirited debate about the specific energy choices we should make, but if we recognize that we cannot go back to where we were, then I believe the choices are clear.

We can either work together toward a clean energy future or continue to operate in a business-as-usual fashion that will leave Hawai‘i vulnerable to the vagaries of world oil prices and the whims of foreign countries and companies.

As the world’s most isolated set of islands and our nation’s most oil-dependent state, a clean energy future is no longer simply a desire of environmentalists, it is an absolute necessity for our long-term economic survival.

This energy transformation is something we owe to future generations, and something they have a right to expect.

They have a right to expect energy security.

They have the right to expect stable and lower energy costs, and a cleaner environment.

They have the right to expect higher-paying, green-collar jobs that come with a thriving new energy sector.

And they have the right to expect us to stop sending up to \$7 billion a year out of Hawai'i to buy foreign oil, instead of keeping most of it here at home, to circulate in our economy.

Over the past 12 months, remarkable progress has been made toward achieving a secure energy future for our state, and we are being hailed as a national model because of our effort.

We must remain steadfast in our pursuit of energy independence and security, regardless of fluctuating oil prices.

Another area in which we must decrease our over-reliance on outside sources of supply is the food we eat.

We import 85 percent of everything we consume.

We need to take action now to increase Hawai'i's food self-sufficiency and strengthen and preserve agriculture for future generations as required by our State Constitution.

We must increase our efforts to protect the best agricultural lands from development.

And, we must strengthen our commitment to provide affordable water for agriculture.

Increasing our food self-sufficiency will contribute to the state's economic recovery by keeping more of our money here at home.

If we replace just 10 percent of the food we currently import, it would create more than \$300 million in economic activity, generate \$6 million in taxes, and create 2,300 new jobs.

I will be asking state agencies such as schools, prisons and hospitals to take the lead by purchasing locally grown fruits, vegetables, poultry, eggs and meat.

Under new rules, Hawai'i farmers will receive a 15 percent price preference when placing their bids for state purchases.

If we each make an effort to buy more locally produced food we will be contributing to our economic recovery, helping Hawai'i farmers lower their unit costs, and protecting our open spaces.

Agriculture keeps Hawai'i green, it recharges our aquifers and promotes a healthy lifestyle and good nutrition for families.

It also diversifies our economy and supports small businesses and rural communities.

Another requirement for a strong and innovative economy is an advanced communications infrastructure that will serve as the backbone for connecting us to the global economy.

This 21<sup>st</sup> century infrastructure is essential to creating the kind of high-paying jobs we are striving for in the coming years.

The communications infrastructure we have in place today barely meets our current needs.

We need to be planning for tomorrow's needs.

We shouldn't be limited in our thinking to believe that what we have in place today is acceptable.

We need to dream about tomorrow, and begin now to lay the groundwork for getting there.

We need a communications infrastructure that will allow us to achieve competitive advancements in the areas of: education, health care diagnosis and treatment, public safety, research and innovation, civic participation, creative media, e-government, and the foundation for overall economic development.

We have been working with the Legislature's Broadband Task Force to craft a bill that recognizes the convergence of technologies that are used to provide voice, data and video services through wireline, wireless, cable and satellite communication.

The bill consolidates regulation and advocacy of communication services under one agency, a new Hawai'i Communications Commission, in order to make attainable the latest communications services at the earliest possible time.

The Commission will not increase the size of government.

It will be funded from existing fees, and will focus on achieving specific goals, including: creating broadband access on a competitive basis at reduced prices...streamlining the permitting process...and providing access to businesses and residents by 2012 at prices and speeds that will make us a world leader and a place that will attract investment, while empowering our residents with enhanced communications capability.

This exciting, high-tech proposal couldn't have moved forward without the hard work over the last two years of the Broadband Task Force, and I applaud the Legislature for the foresight shown in establishing it.

Although I have been discussing ideas that will position us well for the future, I think you would agree that the problem that bothers residents the most today is the everyday annoyance of sitting in traffic.

Sitting in a seemingly endless line of cars, burning expensive fuel, missing an appointment or your child's soccer game, is not the way any of us want to spend our time.

The status quo has become intolerable, so we have joined with legislators in proposing a six-year, multi-island, Highways Modernization Plan to address known traffic problems with proven solutions.

This plan is intended to save lives...save time...and save money.

The program combines road building, highway and bridge safety improvements, anti-congestion traffic management, and a pavement maintenance program, in addition to safety legislation and increased public outreach and education.

The bulk of the near-term projects will be started using existing funds and anticipated federal fiscal stimulus funding.

The longer-term projects will be paid for by increases in highway-related taxes and fees that would be triggered at a future date if steady job growth indicates that our economy is growing again.

In other words, we will have a plan in place that is ready to go to construction when our economic situation improves.

This innovative recommendation to tie future increases to measurable economic results in order to address a long-festering problem is the kind of creative approach being used by departments and agencies throughout government.

I have challenged every one of our departments to find new and creative ways to improve our quality of life in these tough economic and fiscal times.

The Department of Land and Natural Resources has risen to this challenge, and developed a comprehensive proposal to renew our state parks, small boat harbors and trails as well as the very way we care for these precious places – a true “Recreational Renaissance” that will benefit all residents and visitors.

The heart of the plan is \$240 million in capital improvements over five years for both land- and ocean-based recreation.

The Department will fund this innovative plan by dedicating rents from some existing commercial properties to pay debt service, and developing now-vacant industrial and commercial lands that will fulfill the high demand for light industrial spaces in areas suitable for those uses.

Additional funding to support maintenance and operations will be generated from leases and concessions in parks and harbors combined with a small entry fee paid by visitors at a limited number of high-destination parks.

The plan’s final piece is the development of new land and ocean recreational opportunities through a public-private partnership to develop the long-proposed Ke‘ehi Lagoon Triangle adjacent to Lagoon Drive in Honolulu.

This centerpiece initiative will include 119 acres of light industrial space as a long-term source of revenue, coupled with new marina slips, canoe club storage and practice areas, boat ramps, storage and dry docks, beach parks and picnic areas.

I want to thank the staff at DLNR, DBEDT and Budget and Finance who developed this creative and comprehensive proposal which creates brand new, non-tax revenues and a better way of managing and caring for our recreational, natural and cultural resources.

It's sure not business as usual at DLNR!

Working together, we can set the stage for this long-overdue "Recreational Renaissance" that will provide residents and visitors across our state with new and better recreational areas that are well-maintained, secure and enriching.

I am especially enthused about working with the Legislature on this and other proposals as a colleague rather than an adversary.

I will do more than reach across the aisle; I will walk across the aisle, and my door will always be wide open to you.

Our collaboration will demonstrate to the people of Hawai'i that when history called on us to do so, we rose to the occasion.

I firmly believe that only by working together can we produce the kind of significant results that will enable us to exit this temporary downturn, and to position our economy for a stronger and more sustainable future.

Before concluding I want to take a moment to speak about the case pending before the United States Supreme Court involving the issue of ceded lands.

The issue involved in this case is not whether ceded lands should or should not be sold.

Rather the issue involves the fundamental question of whether the State of Hawai'i has clear title to the land transferred to us by the federal government at the time of statehood.

The roots of this case date back to a decision made by former Governor Waihe'e in the 1980s to sell certain ceded lands on Maui and Hawai'i for the construction of affordable housing.

It was a decision he believed was in the best interest of all the people of Hawai'i.

It is a decision that former Governor Cayetano defended in court because he believed it was in the best interest of all the people of Hawai‘i to do so.

And it is a decision that we are appealing to the United States Supreme Court because I believe it is in the best interest of all the people of Hawai‘i.

Acting in the best interest of all the people is the same standard I applied when supporting the Akaka Bill, fighting to protect federal programs benefiting native Hawaiians, or expediting Hawaiian Homestead leases.

And I will continue to advocate for these issues in the coming years just as passionately as I have in years past.

I call upon all who cherish what is the essence of Hawai‘i to come together with a willingness to understand and respect the nature of this case and its importance to the future of our state.

Our current fiscal crisis and the ceded lands issue arise during the same year that we commemorate our 50<sup>th</sup> anniversary as a state.

It is a time when we can reflect on just how unique we are among the 50 states.

But it is more importantly a time to remind ourselves that regardless of the short-term decisions we must make in this moment of economic difficulty, we should remain firmly anchored on the sure footing of Hawai‘i’s rich culture, diverse heritage and sometimes complicated history.

Governors of Japanese, Hawaiian, and Filipino descent have delivered State of the State addresses at this very podium.

Hawai‘i elected the first Asian American to the United States Senate.

And, less than a week ago, Hawai‘i’s heart swelled with pride as one of its own, Barack Obama, became the first African American to take the presidential oath of office when he was sworn in as our nation’s 44<sup>th</sup> president.

We have so much to be proud of in our history, and so much to look forward to in the coming years.

We are indeed the most unique among all the 50 states, and we are certainly capable of meeting this current challenge.

In my heart, I know that if we work together to make these difficult budget decisions, the people of Hawai'i will understand that these weren't the decisions we wanted to make but that we had to make.

The people of Hawai'i are counting on us to lead our state through this unprecedented time – and that is exactly what we are going to do.

When the curtain comes down on our time on this stage, I want our collective legacy to win reviews as a story of pulling together for the good of all rather than being written off as a cast of characters who was each acting in their own one-man show.

If we deal decisively with the current crisis while keeping our eyes open to the opportunities that these kinds of challenging times create, then the people of Hawai'i will conclude that we have lived up to our obligation.

Now, let's get to work.