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STIMULATING HAWAII'S ECONOMY: IMPACT OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

HEARING

BEFORE THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

SPECIAL HEARING

AUGUST 24, 2009—HONOLULU, HI

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MONDAY, AUGUST 24, 2009

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Honolulu, HI.

The committee met at 9:29 a.m., in room 325, Hawaii State Capitol Building, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senator Inouye.

Also present: Senator Akaka.

OPENING STATEMENT OF CHAIRMAN DANIEL K. INOUYE

Chairman INOUYE. I call this hearing to order.

Before proceeding, I wish to advise all of the witnesses that your full statements have been received, and they will be made part of the official record.

And with that, aloha, and welcome to this hearing; it's on the stimulus bill, the American Recovery and Reinvestment Act of 2009 (ARRA).

The purpose of this hearing is rather simple. It's to get the status report from some of the agencies and organizations that have received the stimulus funds through this act.

In particular, I'm interested in whether the funds have gotten out into the community to hire new workers or to provide additional support services. I'm interested to know how well the goals of this act have been met, to date.

I'm here to learn about the successes, as well as the continuing challenges regarding this program, and to determine what other assistance we should be providing.

Transparency and accountability are foremost in the use of economic stimulus funds, and so today I look forward to hearing about the plans and coordination between Federal, State and county governments and agencies, and the public and private sector to take advantage of the funds.

And by way of background, I wish to share with you the history behind this act. At the end of 2008, our Nation—as all of you will agree—faced the greatest economic crisis in a generation. Our economy was on the brink of a second Depression, or great recession. And I'm certain all of us will agree that fear was rampant, and widespread, and confidence in the business community, and the consumer community, was very scarce.

By the first quarter of 2009, our economy had lost on an average of 700,000 jobs a month, the fastest rate of decline since 1958. Foreclosures were at a record level, banks were in a crisis, and nearly $1 trillion in wealth had been lost in the stock market in the steady downturn.

The top priority of the new White House and the Congress was to stop this economic bleeding, create a measure of stability, and help those most harmed by this economic crisis. Only after our economy was stabilized could we begin to restore consumer and business confidence, and commerce with a long-term path to our sustained economic recovery.

The first crucial step, we felt, was the passage of this act. It combined tax relief, Government spending for a total of $787 billion. And as chairman of the Senate Appropriations Committee, I felt it was imperative that we move quickly and cohesively to demonstrate to the American people our commitment to stabilize this economy.

There are three major components in the economic stimulus package. First are the formula funds for highways, buses, education, social services, housing, and law enforcement that went to State and county governments, and that was approximately $690 million, as of this moment. In addition, funds went for a host of Federal agency projects for a total, to date, of $1.24 billion for Hawaii.

The second is tax relief for individuals, businesses; approximately $300 million in tax reductions are going to about 500,000 Hawaii workers, about $360 million in increased Medicaid payments have already gone to the State, and when we add that up with unemployment benefits, we come up to approximately $700 million. As a strong driver of job growth and innovation, small businesses are able to immediately deduct 100 percent of any capital investment.

Third are investments for a firmer foundation upon which to base our future prosperity. One is renewable energy, and in that area, approximately $47 million as of this moment, then establishment of a broadband infrastructure for the State of Hawaii, and now applications are being processed.

And on health information technology, we're just setting up the rules of procedure on how to apply for these.

But I think all of us can be proud that Hawaii has already made great strides in these three areas, and I'm confident that we can be competitive for these funds.

It's been over 160 days since the package became law, and it continues to gain momentum, and we are expecting to see it peak in terms of release of funds and jobs created in about mid-2010, about a year from now.

So, I look forward to hearing the testimony of our distinguished witnesses. For the record, I'd like to note that Mayor Hannemann, who will be testifying for all of the counties, and Representative Abercrombie will have submitted statements which will be made part of the record, and as I indicated, the full written testimony of all of the witnesses will be included in the published record, and this record will stay open for 2 weeks, for other members of the public, for those of you here who wish to submit your own testimony, you can do so, and I can assure you that they'll be made part of the record.

Senator Akaka, would you like to make a statement?

STATEMENT OF SENATOR DANIEL K. AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman.

Aloha.

Audience: Aloha.

Senator AKAKA. It is so good to be home in Hawaii, especially this morning, to join you in this cozy room at this hearing that has been set up by our chairman.

Mr. Chairman, I appreciate your conducting this hearing today, and all of your extraordinary leadership and firm commitment to improving the lives of our constituents, as well as all Americans.

The recession has caused too many families in Hawaii to suffer from job loss, reduction in working hours, home foreclosure and bankruptcy filing, and inability to obtain credit, or the elimination of State funding for an important social service program.

However, the pain that working families in Hawaii have felt would have been much worse had the American Recovery and Reinvestment Act not been enacted.

The American Recovery and Reinvestment Act has already protected and created jobs, strengthened infrastructure, helped to address the education, health, housing and social services needs of our communities and encouraged innovation for the development of alternative energy resources. However, much of the stimulus is still in the process of being implemented.

This hearing is important so that we can better understand how the resources are being utilized, and what is being done to ensure timely and responsible implementation of the stimulus programs in Hawaii.

I appreciate the witnesses appearing today, Governor Lingle, Senate President Hanabusa, the four mayors, and all of the other distinguished guests. I look forward to continuing to work closely with you, Mr. Chairman, and all of our witnesses to help promote economic recovery and assist working families.

Thank you, again, Mr. Chairman, for your tremendous leadership and all of your efforts to improve the lives of our constituents.

Mahalo.

Chairman INOUYE. I thank you very much, Senator Akaka.

[The statement follows:]

PREPARED STATEMENT OF SENATOR DANIEL K. AKAKA

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I look forward to continuing to work closely with you Mr. Chairman and all of our witnesses to help promote economic recovery and assist working families. Thank you again Mr. Chairman for your tremendous leadership and all of your efforts to improve the lives of our constituents.

Chairman INOUYE. We have five panels. Our first panel will be made up of the very distinguished Governor of the State of Hawaii, the Honorable Linda Lingle.

Governor Lingle. Please. Governor, we have received your testimony, and proceed as you wish.

STATEMENT OF THE HONORABLE LINDA LINGLE, GOVERNOR, STATE OF HAWAII

ACCOMPANIED BY LINDA SMITH, SENIOR POLICY ADVISOR, STATE OF HAWAII

Governor LINGLE. Thank you very much, Mr. Chairman.

Chairman Inouye, Senator Akaka, it's always good to have you here at home, and to all of the people who come today to listen to this hearing, aloha to you, as well.

As you mentioned, I have submitted written testimony, and I want to apologize in advance for having to leave after my testimony this morning, and get back to our negotiations, which I believe are making good progress. But my Senior Policy Advisor, Linda Smith, will remain to answer any specific questions once I leave. I mean, I'll answer questions now, but if there are other, she would be here in the room throughout this hearing.

I appreciate, very much, this opportunity to discuss Hawaii's economy, and the role the American Recovery and Reinvestment Act is having. This comes at a time when Hawaii—while still relatively healthy compared to other States—is facing its most severe and rapid economic downturn since statehood. We anticipated this downturn early last year, and launched a five-point economic recovery plan, and I want to touch on the elements, because they dovetail so well with the ARRA.

First, we decided it was critically important that we refocus and increase Hawaii's tourism marketing and outreach efforts, and that meant rebranding Hawaii as a good value, because of the economy in the mainland. We're excited to announce that occupancy levels are finally stabilizing, although we know it's due to some deep discounting that has occurred.

We also are excited about the scheduled air service—for the first time ever—direct from China, this would be on Hinon Airlines, and we look forward to that.

The second part of our plan was to accelerate the State infrastructure projects. We identified—along with the counties and the private sector—$1.8 billion in roads, school repairs, airport projects and bridges, and like ARRA, we focused on those projects that could be started within 18 months. To date, we have started, awarded, or are in the process of bidding out nearly $1.2 billion of that $1.8 billion, and you can track the progress of our projects at hawaii.gov/cip.

Third, we felt it was important to lower fees, and provide tax relief, and through our department of commerce and consumer affairs and department of labor, we have lowered business fees and taxes by $210 million, and we think it's important to keep those fees and taxes low, at a time when our small businesses are struggling to survive and to create more jobs.

Fourth, we felt attracting and retaining private investment—particularly in the area of renewable energy—was critical to our long-term recovery. First Wind is doubling its wind farm on Maui, and Castle and Cook has constructed a photovoltaic farm on Lanai.

In addition, the Walt Disney Corporation continues to move forward with its first-ever resort project outside of a theme park, the DeBartolo project moves forward for our cities, and the Kroc Center will be breaking ground very shortly out in Kapaau.

And the fifth of our five-point plan was to maximize Federal dollars and partnerships, and ARRA dovetails with this five-point recovery plan.

ARRA was passed in February, as you noted, and it will provide to us $1.4 billion through 2011. Our records show that State government has been officially awarded $666.5 million of the total, most of which was awarded in July and early August. We appreciate the help of the Senators' offices in alerting us to the awards, as well as to the competitive grant opportunities under ARRA.

Congress recognized the importance of a Governor serving as a single point of accountability across the Nation, and in fact, I believe they concluded that was the only way to track this amount of money in this length of time.

ARRA contains two competing objectives. On the one hand, ARRA is expecting a high standard of accountability, I believe, unprecedented in the Federal/State relationship, and at the same time, they have a desire for the quick disbursement of the money.

I take this responsibility as the single point of contact very seriously, as does my chief of staff and our entire cabinet. We recognized, early on, the importance of removing some of the obstacles to the prompt expenditure of our funds, and we worked with the legislature to enact act 150, which became law on June 24. This allowed us certain exemptions from State procurement codes, such as the time-consuming rulemaking procedures, it allows us greater use of electronic procurement systems, and it sets up a process for each department, their procurement officer, to resolve disputes, rather than using the typical, lengthy administrative hearings process. We share the Senators' and the communities' desire to get these funds out, promptly, to start creating jobs, and to have a positive impact on the lives of the families here in Hawaii.

Based on the State's accounting system, we have allotted and encumbered a total of $223.9 million of the total received so far, which is about 36 percent. I had an opportunity recently to be on a call with Vice President Biden, who has been made responsible by President Obama, to make certain that this act is carried out as it was intended by the Congress.

There were about four Governors on the call that day, and we pointed out some of the challenges of getting these funds out quickly, as the Vice President had asked us to do. I want to list a few of the issues that we raised.

Number one, not all of the awards being made to the States are channeled through the Governor's Office. Direct notification to Governors from Federal agencies making these awards, to both State and local entities would help save time and increase the chances for complete accountability. So, in other words, we're supposed to be accountable, but we don't even know sometimes that the awards have been made.

Federal formats, guidelines, and reporting instructions were delayed in reaching the States. Guidelines have been changed, and in some cases, more than once. This requires the States to adjust their bid documents, procurement processes, and award contracts. An example is that the public housing agencies recently were alerted that they must amend their procurement rules before contracting for public housing repairs.

Third, the State is being asked to track funds through both the initial receipt to all subrecipients and vendors. This can involved four to five layers before getting into the hands of the entity actually spending the money. All expenditures of $25,000 or more must be so tracked.

Four, for some recipients, this is the fact that they have had to comply with strict Federal reporting regulations. Hawaii officials are taking the time to train them to ensure transparency and accountability requirements are met.

Five, standard cash management requirements do not allow States to draw down funds unless they can be spent within a short window of time, usually 3 days. This provision is prudent for the Federal Government, but it means that the State expends its money first, and then invoices the Federal agencies for reimbursement, at which time the ARRA monies are shown as actually spent.

Six, my final point to Vice President Biden, Hawaii has decided to pursue quality projects with long-lasting impacts, rather than short-term projects that may employ people for 3 to 4 months only. An example is Hawaii's highway spending plan. It's about—11 percent of the funds were for short-term resurfacing projects, whereas other States—their percentage for short-term paving—was 50 percent.

We also took the time to coordinate our projects with the county governments, and our transportation director personally making calls on our mayors to make certain that we were in sync with them, and Brennon Morioka will speak more about that during his testimony.

We appreciate very much that the Federal Government recently recognized the need to help the States to oversee the award and tracking of ARRA stimulus funds by allowing us to spend a small portion of ARRA dollars on program management.

In addition to spending ARRA funds in a thoughtful manner, Hawaii is well-poised for competitive grant opportunities in five key areas. Broadband communications deployment—we submitted our application to the Feds on August 14.

Two, health information technology—Federal guidelines were issued last week, and we intend to meet the submission date of August 31.

Three, the Race To the Top Educational Improvement Fund—the Federal guidelines are in draft, and the funds are supposed to be—

supposed to become available in October, and we look forward to competing there, as well.

Harbor modernization—we are seeking grants to upgrade Honolulu, Kilo, and Kawaihae Harbors.

The fifth area is in the area of renewable energy and the inter-island undersea cable. This would build upon the progress of a Hawaii clean energy initiative, and you will hear later, in detail, from Ted Liu, Bill Parks, and Maurice Kaya on this important subject.

I want to thank Senator Inouye, you especially and your staff, for the support and the encouragement you have given to us in pursuing these competitive grants, for keeping us informed about ARRA as it moved through the Congress.

In conclusion, ARRA's passage has been beneficial to the State of Hawaii, it is complimentary to our administration's five-point recovery plan, it helped to fill the funding gaps in the State budget, and it will allow Hawaii to continue to build a new economic base for the future.

Mahalo.

Chairman INOUYE. Thank you very much, Governor Lingle.

[The statement follows:]

PREPARED STATEMENT OF LINDA LINGLE

Chairman Inouye and Members of the Senate Appropriations Committee: Welcome to our State Capitol. I want to address a topic of utmost importance to the citizens of our State—our economic well-being and the role of the Federal Government in stimulating Hawaii's economy.

Passage of the American Recovery and Reinvestment Act (ARRA) in February of this year occurred at a time of significant financial difficulties for our Nation as a whole, including the State of Hawaii. Hawaii is facing its worst economic recession since we became a State on August 21, 1959. Not only is the depth and breadth of this recession greater than we have experienced historically, it is anticipated that the recovery will not look like past recoveries. We may see prolonged periods of economic stagnation as our State, Nation, and world adjust to the dynamics of global economic uncertainty and its fiscal impact.

To understand this changing reality and Hawaii's response to it, I'd like to begin with a snapshot of the current economic climate in Hawaii, then review the steps my administration took prior to passage of the Federal economic stimulus program to address the economic downturn. I would then like to review the funding Hawaii is expecting to receive as a result of the ARRA and how we are using these funds to re-establish conditions for growth. I'd like to conclude by talking about some important competitive opportunities available under the Federal stimulus bill and how Hawaii is well-poised to utilize these competitive grants.

ECONOMIC INDICATORS

Looking at the basic benchmarks used to measure the economic well-being of a community, Hawaii is relatively healthy, but is significantly less well off than we were only a year ago.

—Our July unemployment rate was 7.4 percent, below the national average of 9.5 percent, but significantly above the 4.3 percent unemployment rate we enjoyed just 12 months ago.

—Visitor arrivals declined 13.1 percent between fiscal year 2008 and fiscal year 2009. Visitor spending dropped 15.1 percent during the first half of calendar 2009.

—As of July 2009, Hawaii's rate of growth in foreclosures was 14th in the Nation. We currently rank 40th in the total number of housing foreclosures.

—Commercial real estate investments declined 44 percent for the first 6 months of 2009 when compared to the same period a year ago. This is usually considered a lagging indicator and foreshadows continued difficulties ahead.

—State tax revenues are projected to experience no growth this fiscal year while inflation-adjusted personal income growth is expected to grow for the calendar year at a very modest 0.4 percent.

—For the first month of this fiscal year, the State experienced a 3.4 percent general revenue decline and last year State general fund revenues declined 9.5 percent.

The drop in revenues created a $2.8 billion funding shortfall in estimated revenues for our State budget through June 30, 2011. The State's entire general fund biennium budget passed by the Legislature just 3 months ago is $10.4 billion, but we will not have the money to support this budget. Under these circumstances, we cannot operate in a "business as usual" manner. The size and shape of State government must change to reflect these economic and fiscal realities.

FIVE-POINT PROACTIVE STATE RECOVERY PLAN

Given these sobering trends, my administration launched a five-point proactive economic recovery plan last year. Hawaii's five-point plan has the same objectives as the Federal economic stimulus effort—to create and retain jobs and to lay the foundation for future success.

The elements of the five point plan include:

—*Refocusing and Increasing Hawaii's Tourism Marketing and Outreach Efforts.*—Campaigns have been launched in targeted U.S. markets such as the West Coast, traditional international markets such as Japan, and emerging markets such as Korea and China. A couple of weeks ago we were pleased to announce the intention of Hainan Airlines to establish direct scheduled air carrier service between Beijing and Honolulu. Hotel occupancy levels are beginning to level off with a slight increase recorded in July. The indication of some improvement in hotel occupancy supports the effort being made to attract visitors at a time when consumers are curtailing most discretionary spending, and also reflects deeply discounted room rates.

—*Accelerating Public Infrastructure Investment.*—Last September our administration launched a plan to expedite $1.8 billion in budgeted public construction projects that were ready to contract within an 18-month period. These included roads, bridges, school repairs, airport and harbor modernizations, and other public works projects. I am pleased to report that through July we started, awarded, or are in the process of bidding out a total of $1.19 billion and anticipate meeting the entire $1.8 billion goal by the end of September. We established a website to permit public monitoring of the progress of the effort, similar to what the Federal Government is doing under ARRA. I invite members of this U.S. Senate Committee to check our progress by visiting our State website at http://hawaii.gov/cip.

—*Lowering Fees and Providing Tax Relief.*—Economic history has repeatedly demonstrated that we cannot tax our way out of a recession. Keeping business fees and taxes low allows small companies—the backbone of Hawaii's economy—to retain workers, increase marketing, and weather a contraction. Early in my administration we were able to lower fees and taxes on businesses by an estimated $210 million and reduce personal income taxes by $310 million. These efforts have helped cushion what might otherwise have been a steeper decline in our State's well-being. Some of this progress has been eroded by recent tax increases passed by the State Legislature.

—*Attracting and Retaining Private Investment, Especially in the Renewable Energy Sector.*—Our administration has worked hand-in-hand with firms willing to invest in our State. We are pleased that Walt Disney Enterprises has made significant progress on its first major resort not connected to a theme park. Also, in West Oahu the DeBartolo Development LLC, one of the largest retail shopping center developers in the United States, is following through on its $500 million commitment to construct a major new project adjacent to Hawaiian Home Lands and complementary to a new University of Hawaii campus. Similarly, Forest City, Inc. is developing a master planned community of nearly 2,000 homes on the island of Hawaii. First Wind, LLC is investing in the expansion of its wind farm on Maui and Castle and Cooke Ltd. recently completed construction of a photovoltaic farm producing nearly 30 percent of the power on the island of Lanai. And, most recently, Hawaii was proud to be chosen as the site of the new $1.2 billion 30-meter telescope project.

—*Maximizing Federal Dollars and Partnerships.*—Hawaii has served as the focal point for critical Federal investments in ocean sciences, health research, astronomy, and the military. Pacific Missile Range Facility on the island of Kauai played a pivotal role in the recent response to North Korea's missile launching efforts. Pearl Harbor, Hickam Air Force Base, Kaneohe Marine Corps Base, and Schofield Barracks have a long history of serving as America's first line of defense in the Pacific region. Through the support of our Congressional delegation, we have been able to realize continuing improvement and investment in our military installations in Hawaii. And, we are proud of the work of our soldiers, sailors, marines, Coast Guard, and airmen for their role in supporting America's effort to stabilize conditions in Iraq and Afghanistan.

CLOSING THE STATE SPENDING GAP

In addition to pursuing this five-point recovery plan, my administration implemented decisions to address our State's immediate funding gap. We were able to address over $2 billion of the shortfall faced in our State budget. These decisions included:

—Instituting an 8 percent across the board cut on all State Cabinet agencies;
—Severely restricting travel, new equipment purchases, and the filling of vacant positions;
—Refinancing State debt to reduce current payments;
—Utilizing Federal funds, including ARRA funds, to address shortfalls in critical areas such as Medicaid payments and education;
—Eliminating duplicative programs and programs with poor results.

To address the balance of the $2.8 billion budget gap, we will need to reduce the State's labor costs which comprise 70 percent of our operating budget. My administration developed a well-thought out State employee furlough plan that will protect jobs and minimize the disruption to public services. We remain hopeful we will be able to implement furloughs, but are prepared to complete reduction in forces to lay off State workers if the public unions fail to support the furlough plan.

AMERICAN RECOVERY AND REINVESTMENT ACT OVERVIEW

This brings me to the American Recovery and Reinvestment Act (ARRA) and its impact on Hawaii's economy. The Act has made it possible to obtain Federal support for a range of activities and the opportunities it provides will be beneficial to the State.

Hawaii is slated to directly receive $1.4 billion. This amount does not include funds going directly to individuals, such as tax credits and the bonus social security checks. Nor does it include direct Federal agency spending in Hawaii that will take place over the next 2 years.

It should be noted that a portion of these funds have not yet been received from the Federal Government. Our records show that between passage of the Act in February and now, the State government has been officially awarded $629.6 million, or about 46 percent of the total.

We have been fortunate to have the assistance of Senator Inouye's office to gain familiarity with the ARRA programs. Jennifer Sabas, in particular, has been a source of support and a key facilitator bringing together stakeholders to coordinate the pursuit of grants available under the Federal stimulus program.

In passing this bill, Congress recognized the importance of having the governor of each State serve as a single point of accountability for the expenditure of such large sums within a relatively short time frame. I take this responsibility seriously. I have asked my Chief of Staff, Mr. Barry Fukunaga, to play a central role in overseeing the receipt and expenditure of funds. I have also appointed Mr. Mark Anderson, Deputy Director of the Department of Business, Economic Development and Tourism, to serve as the ARRA Coordinator for the State of Hawaii. And, the State's Chief Economist, Ms. Pearl Imada Iboshi, is playing a key role in developing the databases and tracking systems we will use to manage these funds.

My entire Cabinet understands the importance of spending the funds wisely and avoiding waste or misuse. Each cabinet director has an active part in receiving and overseeing those funds that impact programs within their respective departments. We participate in the many webcasts and conference calls arranged by Federal officials that provide guidance on the administration of the stimulus funds. I have personally had an opportunity to discuss directly with Vice President Biden the opportunities and challenges Hawaii is facing as we implement the Federal economic stimulus projects.

Recognizing the importance of greater efficiency to expedite the administration of the Federal stimulus funds, my staff developed and lobbied for passage of Act 150 in the State Legislature. This Act addresses procurement hurdles that traditionally impede the award of public funds. The Act became State law on June 24th. It allows certain exemptions from the State procurement code, shortens the time frame for contract bids and awards, and provides a quicker resolution of bid protests by allowing the chief procurement officer of each department to resolve protests rather than using a protracted administrative hearings process.

ARRA FUNDING

ARRA funds flowing to Hawaii are targeted for a number of areas, with the larger amounts in the following categories:

—*Health Care.*—Hawaii is receiving $360 million that will help offset State dollars used for Federal Medicaid services to low-income individuals. These funds will be paid out to the State over a 27-month period. We are also receiving $64 million for clean water projects and federally qualified health centers.

—*Education.*—Hawaii's share is $279.6 million. $192 million will be available in State fiscal stabilization funds, of which $157 million will be used to cushion funding reductions in K–12 public education and the University of Hawaii and community colleges. Please note that the ARRA requires State Education Agencies, in our case the State Department of Education (DOE), to prepare and submit a spending plan to the governor before Federal funds can be spent. The DOE will also directly receive $87.6 million in formula funds for special education, education technology, and Title I monies for disadvantaged youngsters.

—*Housing.*—Hawaii is receiving a total of $52.2 million for housing, including funds to assist affordable housing projects that are experiencing funding gaps. I am pleased to point out that the Hawaii Housing Finance and Development Corporation (HHFDC) just awarded almost $9.9 million in Tax Credit Assistance Program (TCAP) funding to three affordable housing projects—ensuring prompt distribution of these moneys into Hawaii's housing economy. Another $16.3 million of the above amount will be used to renovate and repair public housing units.

—*Transportation.*—A total of $246 million has been allocated to Hawaii for transportation projects including roadway resurfacing, bridge repairs, country transit, and airport upgrades. This money will supplement our State-accelerated CIP program described earlier. Our Director of Transportation, Mr. Brennon Morioka, will be providing details on the State's transportation expenditure plans later in this briefing.

—*Employment.*—A total of $40.1 million for Hawaii will allow us to extend unemployment benefits for those unable to find new jobs, as well as fund various worker support programs.

—*Energy.*—We expect to receive a total of $47.38 million in formula grants, including funds for the State Energy Program, Energy Efficiency and Conservation block grants, and the Weatherization Assistance program, as well as two smaller grid grants to the State Energy Office and the Public Utilities Commission. We note that to date $14,985,330 has actually been released to the State. Mr. Ted Liu will be providing details on the planned expenditure of these funds.

—*Social Services and Law Enforcement.*—$149.6 million in assistance to help those who are most in need, including food stamps, child care grants, Head Start funding, community service block grants, seniors meals, and assistance to law enforcement units.

ARRA COMPETITIVE GRANTS

In addition to the direct funding identified above, Hawaii is well positioned to compete effectively for moneys being made available to States on a competitive basis. We are focused on five areas which we believe can become the foundation for economic achievements in Hawaii in the years ahead. They are broadband communications, healthcare information technology, renewable energy generation and transmission, Race to the Top educational improvement, and harbors modernization.

—*Broadband Communications Deployment.*—On August 14th Hawaii submitted a comprehensive competitive grant application to the Department of Commerce for its "State Broadband Data and Development Grant Program"—commonly referred to as broadband mapping. The application proposes to spend $4.2 million, of which $2.9 million would be Federal funds and the balance of $1.3 million is in-kind resources. In addition to gathering detailed data and mapping this information into a geographic information system (GIS) for the entire State, our application recognizes the importance of promoting public access for education, health care opportunities, and commercial uses. My administration is also working with the University of Hawaii on a $44 million proposal to provide and upgrade fiber optic connections to all public schools, libraries and university campuses, as well as a smaller $1.5 million grant to improve public computing for the underserved at public libraries and community colleges.

—*Health Information Technology.*—In keeping with the HITECH Act portion of ARRA, the State is working with the Hawaii Health Information Exchange (HHIE), a consortium of employers, health plan providers, hospitals, physicians, clinics, members of the academic community, and non-profit organizations to develop Hawaii's application for Health IT funds. Because HHIE has been in existence for a number of years and represents a broad cross-section of the community experienced in this field, we believe Hawaii's proposal for these competitive grant moneys will reflect the real world issues that health information databases must address.

—*Renewable Energy and Interisland Transmission Cable.*—The Hawaii Clean Energy Initiative launched in 2006 has been recognized both nationally and internationally. We appreciate the technical and financial support from the U.S. Department of Energy that has allowed us to make significant progress in such critical areas as changing the regulatory framework for energy utilities, mapping the electricity grids for each island, biofuels assessments, and deploying renewable sources including wind, photovoltaic, solar, and ocean energy. The ARRA competitive grants present an opportunity to build on these areas of work. Working with Senator Inouye's office and with other agencies and private energy companies, Hawaii will pursue competitive grants in areas including smart grids and distributed energy systems. Already Hawaii has been awarded grants in electrification of the transportation sector in partnership with Chrysler Corporation. We also received a Hawaiian Electric Company utility integration grant for wind power and a smart grid grant for the Hawaii Natural Energy Institute.

—*Race to the Top.*—Using national test scores (NAEP), Hawaii ranks 47th out of 51 States and the District of Columbia. A total of 187 out of 284 schools are now in corrective action or not meeting annual yearly progress (AYP). Under the ARRA, the State Department of Education must submit a plan to me before we can start using the State Fiscal Stabilization Funds (SFSF), which shows how we will address such fundamental issues as improving struggling schools. To address this requirement, my ARRA administration team has been working to develop a joint Memorandum of Agreement (MOA) with the DOE to implement a college and career ready curricula in every school. The MOA builds upon the initiative my administration launched several years ago to work with schools focused on STEM skills—science, technology, engineering and math. To comply with additional Federal requirements, Hawaii will need to change State law to remove the cap on charter schools and not statutorily prohibit the use of student-achievement data for evaluating teachers and principals. When enacted, Hawaii believes we will be poised to compete for Race to the Top Funds that will become available under ARRA in October.

—*Harbors Modernization.*—Our Department of Transportation will be seeking TIGER grant transportation competitive funding to undertake much-needed harbor improvement projects at the Honolulu, Hilo and Kawaiahae Harbors. Given our State's dependence on shipping between U.S. and foreign ports and between our islands, harbor improvements are a critical area for infrastructure modernization. The ARRA formula grant money for transportation did not address this specific area, so the competitive grants are the only opportunity to finance upgrades to our harbors.

CHALLENGES AND OPPORTUNITIES

Federal economic stimulus funds flowing into Hawaii come from a wide variety of funding sources and will touch numerous State departments, county governments, private companies, and even individuals. There are also stringent accountability and reporting requirements associated with the receipt and disbursement of funds. This presents a daunting task for States, particularly governors, who are charged with tracking the receipt and expenditure of ARRA moneys and providing accurate reports.

ARRA encompasses two primary objectives—a high standard of accountability and a desire for expedient disbursement. This establishes competing conditions between the demands for immediacy and the necessity to be accurate and ensure that Federal dollars are spent in a manner that will have long-lasting impacts.

As a result, challenges have been encountered in a number of areas.

—Federal formats, guidelines and instructions for the required reporting systems were delayed in reaching States. The guidelines have also been changed after issuance, in some cases more than once. State bid, procurement, and award documents have had to be revised to reflect changing guidelines.

—Hawaii, like many other States, has an older financial management system that does not contain the capacity to track the expenditure details required for reporting. This has necessitated the need to develop technical "work-around" alternatives to ensure we are able to incorporate into our State financial tracking systems all of the reporting elements necessary to meet the Federal reporting standards. Initial provisions under the ARRA did not provide States with the ability to apply for funds to address technical support deficiencies. States are now being allowed to apply for some limited funding.

—State agencies are employing existing arrangements to channel funds to organizations that are the ultimate beneficiaries of the money. Some of these organizations have traditionally not had experience in meeting Federal reporting obligations. As such, they need to be trained on how to track and document the manner in which they are using their ARRA dollars, and we are taking the time to reach out to them to ensure they are aware of the reporting obligations.

—States are being asked to track funds through both the initial recipient and all sub-recipients and vendors, which means the money may pass through four or five layers before it gets into the hands of the entity that actually spends it. For example, money coming to Hawaii's Department of Labor and Industrial Relations may flow to the Office of Community Services which, in turn, parcels the funds to counties, who in turn distribute the funds to non-profit service providers, who then send the money to a private contractor who delivers the service or goods. Given that all expenditures of $25,000 or more must be tracked to the final spending entity, educating and acquainting recipient organizations on their reporting obligations has proven to take time.

—It takes resources to manage and track the funds. Initial guidelines did not allow States to use stimulus funds for administrative purposes. We appreciate that the Federal Government is allowing funding to be used for effective State-based oversight after States pointed out they were unable to absorb these costs. Hawaii is currently preparing its application for administrative funds.

—Standard Federal cash-management requirements do not allow States to draw down Federal dollars unless we can spend those dollars within a short window of time—usually within 3 days. While this provision is prudent for the Federal Government, it is restrictive on States. In effect, what this means is States must front the money for Federal projects and then seek reimbursement from the relevant Federal agency. It is not yet definitive whether these same Federal cash management requirements will be applied to ARRA.

—It is difficult to figure out what is being awarded to Hawaii since the Governor's office often does not receive direct notification from Federal agencies when an award to made to an entity in Hawaii. This is a problem other States have also voiced. It is particularly challenging to track down awards to non-profits, for-profits, and research organizations.

We encourage the Chair and members of the Senate Appropriations Committee to consider these points as you meet with State and local officials across the country. If steps can be taken to simplify the notification and reporting obligations, Hawaii would welcome engaging in that dialogue.

CONCLUSIONS

Passage of the American Recovery and Reinvestment Act earlier this year has been beneficial for the State of Hawaii. The Federal funding comes at a time when our State is coping with the most severe economic and fiscal downturn since becoming a State. My administration has been executing a five-point plan to manage through the recession and position Hawaii for economic success in the decades ahead. The ARRA economic stimulus funds have fit into this effort and made it possible to fill funding gaps in State programs, repair and renovate State facilities, and protect those vulnerable populations hurt most by the economic downturn.

Just as importantly, the economic stimulus funds build upon the five-point recovery plan my administration launched last year and position Hawaii to re-establish the conditions for growth. Our State congressional delegation has supported this effort and their role is appreciated.

Finally, we believe key competitive grant opportunities will lay the foundation for a new economic base in the decades ahead. That economic base will be built on swift, accurate communications of voice and data; clean, renewable energy that is domestically produced; harbors and transportation systems that are state-of-the-art; and a skilled, well-educated workforce that is ready to compete nationally and internationally.

Thank you for the opportunity to appear before you today.

Chairman INOUYE. As you know Hawaii's economy is improving much faster than most other States, it pleases me to note that our unemployment rate is the lowest in the Nation, at 7 percent. Our national average is about 9.5 percent, there are some States that exceed 10 percent. And I've been doing some personal checking, and I've noted that most of our major hotels are now experiencing occupancy rates of over 80 percent—at reduced rates, however—but that means no one's getting fired there. And so, I'd like to congratulate the government of Hawaii and their subsidiaries for the good work you're doing, and I appreciate it very much.

As you noted, you are the coordinator of funds. Do you find that cooperation and coordination between Federal, State and county governments is satisfactory, or do you think improvement should be made?

Governor LINGLE. I think the cooperation is very satisfactory, I think it was just a lot to do in a very short period of time. So, you had a brand-new Federal administration, some had capital secretaries, some didn't when ARRA got started. The rules were coming out—sometimes being changed—I thought it was completely understandable in the timeframe that was allotted—this was a huge amount of money with a lot of rules with high expectations, and I don't think anything that's occurred has been extraordinary or unexpected.

And the cooperation—I hope the counties feel the same way, I think it has been very good and of course in your office, it's been outstanding for us.

Chairman INOUYE. There are very few experts in the Congress of the United States, and we just prayed that everything we did was correct and proper.

For example, on the cash for clunkers, it was heavily debated, and there were many of us who were not too keen about it, but now it appears that it may be the most thoughtful program we had, so your testimony is very helpful, ma'am. Thank you very much.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

Governor Lingle, in your statement, you mentioned that you intend to—and that was your fifth point, I think, was to maximize the use of Federal dollars, and partnerships.

In previous years, I must tell you, it was a joy working with your administration in obtaining and releasing the necessary State match for what we call Medicaid disproportionate share hospital resources—we call it "DSH." These funds provide essential assistance to rural hospitals that care for the uninsured and Medicaid beneficiaries. I was concerned, of course, when the legislation which was providing necessary State match drawdown of $15 million of Federal assistance that Senator Inouye and I also helped to secure was vetoed. And I appreciate all of the work that's been done by the State legislature, and what they were doing, and of course they overruled the veto.

I know that the Healthcare Association of Hawaii and their members truly depend on DSH and have told me how valuable it is to them over the years since additional measures have been taken by the State that are likely to increase the amount of unencumbered [indiscernible] care provided by hospitals. Will you reconsider releasing the necessary State resources to draw down the Federal resources to help strengthen our struggling hospitals that care for the uninsured and Medicaid beneficiaries?

Governor LINGLE. Senator Akaka, thank you very much for all of the help that you've given to the healthcare system here in the

State, the help you and your office have always given us, whenever we're in Washington we've appreciated it very much.

The challenge for the State of Hawaii at this time is the unprecedented drop in revenues that the State is facing, and even for those programs such as DSH, which is a match—so we come up with so many millions, and we get so many millions from the Federal Government—it's sort of like for a family that's facing some sale and it says, "Buy One, Get One Free," but if you don't have the money to buy the one, it doesn't matter that you're going to get one free, and that's really the situation that we find ourselves in at this time.

It's distressing that we don't even have money to be able to track this kind of matching funds, but as you know, the reduction in revenue has been now more than $2.8 billion, and the council on revenues will meet again, this week, Thursday, and I don't expect it to be a positive outlook. The best you could hope for is they don't go down further, but I think that's a little bit optimistic.

As Senator Inouye pointed out, the occupancies are rising, and yet even at that, and even with the legislature raising the hotel room tax this year, our revenues from the hotel room tax are down substantially.

I think your read about the impact on the city with the rail issue with excise being down, so at your request, I would take a look, but I don't want to raise expectations that that money might be released, certainly under the current circumstances. If there is a dramatic turnaround next year I'll—certainly at your request—look at that, but this is a very dire situation.

As you know, we have passed out over 1,000 layoff notices to our employees. We're facing continuing declines—not only in the visitor industry and while I—I agree with Senator Inouye that comparatively—and I think I mentioned it just briefly in my remarks, comparatively we're doing quite well. So, whenever anyone asks me from the mainland, "How is it going?" I say, "Well, it's going okay," and I mean that compared to them. Because there are places—in Michigan, and in California, and Arizona, and New York and Florida—that are just having a horrible time, I mean, where you have unemployment, I think, just in Oregon, 11 or 12 percent kind of unemployment. So, I don't—you know, I don't want to make it seem worse than it is, but it's a very serious situation that we face.

And I don't think there's going to be a quick recovery in Hawaii. We had, as you know, an economic panel on Saturday at the convention center, made up of State economists, and a former bank economist, and they're both on the council on revenues as well as the university economist, and they also don't see a quick recovery.

So this is going to be a very challenging time for us. I continue to want to work with you, and with the legislature, Senator. But I don't want to raise expectations of releasing money that we just don't have, anymore.

And I think it's important to know, the public—sometimes they'll ask, "What happened to all of the money?" You know, they'll say, "Where did all of the money get spent?" Because our budgets are prepared on projections, the money was never there—it's not that we went out and spent it, it's that we were projected to receive it over 2 years, and now the projections have been ratcheted back dramatically.

And please take this in the spirit I mean it—unlike the Federal Government, we can't print money. So, we're just stuck. And that's why ARRA has been a big help to us, and Medicaid payments to us over the nine quarters have been important to us. We will do everything we can to maintain the highest possible healthcare for the people of this State, recognizing that our Government is not going to look the way it did a year or two ago. Not for a long, long time.

We're hearing about it in the libraries having to close, the high school sports now being supported by the private sector—that's only the beginning of changes that are going to come. Changes that are necessary, simply because we don't have the money anymore. I'll do my best.

Senator AKAKA. Thank you very much, Governor. And I appreciate your response. And I want to wish you well in the State of Hawaii—well during this period.

Thank you very much, Mr. Chairman.

Chairman INOUYE. As I noted in the opening statement, the record will be kept open for 2 weeks, and if witnesses have any desire to add anything, or correct, or amend, please feel free to do so.

And Governor, if we may, we'd like to submit written questions to you.

Governor LINGLE. Please, Senator, I would appreciate that, and thanks for the courtesy of allowing me to speak first today, and share some of my experience with you, so far, with ARRA.

Chairman INOUYE. Thank you very much.

Governor LINGLE. Thank you.

Chairman INOUYE. Our next witness is the president of the senate of the State of Hawaii, the Honorable Colleen Hanabusa.

Madame President, welcome.

STATEMENT OF THE HONORABLE COLLEEN HANABUSA, PRESIDENT, HAWAII STATE SENATE

Ms. HANABUSA. Chairman Inouye, Senator Akaka, aloha.

Chairman INOUYE. Aloha.

Ms. HANABUSA. And thank you for this opportunity of allowing me to testify on behalf of the Hawaii State Senate, and the legislature as a whole.

And I'd like to ask that—though I will not have the opportunity to recognize them all—I would like to point out that there are members of both the house of representatives and the senate here, because I believe that it is most appropriate in that what I am going to speak to is the budget of the legislature. And as everyone knows, it is that budget that is the major policy statement of the legislature.

It was a difficult year for the legislature. Economic times—and we have been a legislature that has, for years past, been able to address almost everyone's needs quite appropriately. And this was a year that we were just saying, "No" to everyone.

Except when the ARRA came in, and that afforded us an opportunity to meet some of the needs. But what it did do was it forced this legislature to prioritize, and with your permission, I will tell you how this legislature prioritized the funds, because I think it is a great statement of what they did, and how they addressed the needs of the people.

First of all, for the legislative budget, for the fiscal year 2010, which is what we are in now, there's a total of $679 million plus which has attributed to the ARRA. It does, of course, include Consumer Price Index-related projects, as well. And for fiscal year 2011, it's $263 million, which is also attributing to the ARRA.

What does this represent? Let me share that with you. As you know, our council of revenues projections went plummeting. When you compare from March 2008 to January 2009, we had declined by $2 billion, and as you know, the recent council projections has put us down another $600 to $700 million. Notwithstanding, when this budget was passed, this was what the budget said was important.

In the area of human services, the legislature appropriated $2.6 million in 2010, and $3.1 million in 2011 to restore the Adult Dental Program. In addition, they partially restored immigrant health service, and these were items that were cut by the Governor for the reasons that she had explained earlier.

And in total, the legislature appropriated $211 million for fiscal year 2010, and $105 million for fiscal year 2011 in the area of human services.

Additionally, for temporary assistance for needy families (TANF) related matters, $20 million for fiscal year 2010, and $5 million for fiscal year 2011. And those are for the TANF contingency funds; $25 million in fiscal year 2010 and $6.25 million in fiscal year 2011 for TANF emergency funds; $5.4 million in each fiscal year of TANF's assistance for non-title IV E foster children, and $3.5 million in fiscal year 2010 and $900,000 in fiscal year 2011 for other assistance to non-title IV E children.

In the area of health, the ARRA stimulus funds in the amount of $87 plus million for fiscal year 2010, and $15 plus million for the fiscal year 2011 for all of the related programs, including the Federal medical assistance percentages (FMAP) reimbursements, developmental disabilities, as well as adult mental health, to name a few.

And in the area of public education, the legislature appropriated stimulus dollars for the following educational programs: $19.8 million for title I educational technology, $20 million for Individual with Disabilities Education Act (IDEA) part B and IDEA part B preschool funds for 2010, and $116,000 for the McKinney Vento Homeless Assistance Program.

And in the interest of insulating the impact of the budget shortfall on the department of education (DOE), the legislature appropriated $56.6 million in stimulus dollars for education of each year of the biennium.

What we are unable to tell you, however, Senators, is the status of those monies. We can tell you how the legislature prioritized, and how the legislature determined with the funds that you were so kind to help us secure, how we in the legislature felt that the money should be appropriated, but as Governor Lingle said, most of this program was intended to be routed through the executive branch, for reasons of accountability, as well as to expedite it.

What we were fortunate of, very early on, Senator Inouye, was the fact that your office permitted the legislature to send representatives to sit in on some of their early negotiations, and as a result of that, we had a good sense of where the highway funds were being used, as well as where we thought the DOE funds were also going to be used. But for that, I think we would not have a very clear idea of how the funds were actually going to impact upon us.

The Governor mentioned S.B. 21, which is act 150, and she spoke about the first part of the bill which, in essence has given relief in terms of procurement laws as well as rulemaking to expedite the use of the ARRA funds. There is a part two of the bill, which the legislature placed, and that is to have people sit there to watch the stimulus funds.

Because, after all, it is the legislature who really always gets the question as to what's happening to the money. And as you both are probably aware, the way that this task force is formed is that each congressional member is asked to send a non-voting member, as the Governor's Office sends a non-voting member, Speaker Seay and myself appoint a public member and a legislator, and the minority members of both of our houses, the leaders appoint one public member to also sit and oversee the funds.

We believe that it is only with that, that we will be able to answer that critical question that everyone has for us, which is, "What happened to the ARRA monies?" And though I am here to tell you—and to thank you for what you have done for us, I am unfortunately not able to say much more, because I don't really know—we don't really know—where the funds have actually been received and expended.

We do know, for example, that in the competitive grant portion, we have been asked to be supportive of the harbors modernization, which is under the Department of Transportation, and the Smart Grid Program which, I believe, those are the two projects which the Governor has pointed to. However, other than that, I am not sure what the status of other competitive programs are.

But, what we will do, hopefully, once we get the part two of the act 150 set up, that we would be able to answer these types of questions both for the public, and for you, as to where the funds have been, and how they have been effectively used.

But let there be no mistake—but for the ARRA funds, I am not quite sure whether this legislature would have been able to sine die on time, or whether we would still be there, looking for the sizable chunks of money to try and balance our State budget.

So, again, thank you very much for the opportunity and I'd like to also make special mention of my colleagues, because it was all of their hard work that has resulted in this budget, with a very strong policy statement of the commitment of the legislature to, really, those who need help, and of course to education, which we all say is our priority.

Thank you very much.

[The statement follows:]

PREPARED STATEMENT OF COLLEEN HANABUSA

Aloha Chairman Inouye, thank you for allowing me this opportunity to testify on behalf of the Hawaii State Legislature on the impact of the American Recovery and Reinvestment Act of 2009 (ARRA) stimulus funds on our State Budget.

At the time the State Budget plan was finalized in May, the National Economic Outlook was uncertain and economic contraction was a severe reality in our islands. In February of 2009, the occupancy rate for Hawaii hotels was at its lowest rate since 1991, and total visitor expenditures fell 15.9 percent, according to the Department of Business, Economic Development, and Tourism. Oahu experienced the smallest part of the occupancy rate decline, and the island of Hawaii experienced the largest.

Our island economy continues to be impacted by the loss of ATA and Aloha Airlines, two cruise ships, Hawaii Superferry, and the closure of Molokai Ranch. As of April of 2009, Hilo Hattie, a local clothing favorite, lost $4.6 million in its first 5 months in a Chapter 11 bankruptcy reorganization filed on October 2, 2008. Construction slowed dramatically in 2009, which resulted in additional job losses. The State's unemployment rate is not expected to peak until the fourth quarter of 2009.

Oil prices, the housing market, and U.S. credit remain wild-card factors that could have long-lasting impacts on the Hawaii economy.

By statute, the Council on Revenues (COR) reports its latest tax revenue forecast to the Governor and the Legislature on June 1, September 10, January 10, and March 15 of each year. The revenues come primarily from the general excise tax and the State income tax. Since the March 2008 forecast, the COR has each time reduced its prediction of tax revenues for the coming fiscal years. From March 2008 to October 2008, the COR general fund tax revenue projection through the upcoming biennium dropped by $1.341 billion.

The Governor based her original Biennium Budget Request on the October 2008 COR projection. In early January 2009, soon after the Governor's budget was finalized and submitted to the Legislature, the COR revised its forecast downward; the projection was reduced by $637 million through the coming biennium. Thus, from the COR March 2008 projection to the January 2009 projection, general fund revenues had declined by nearly $2 billion.

On March 12, 2009, the COR tax revenue outlook was again downgraded by $262 million over the biennium (down $92.8 million in the current year, $115.8 million in fiscal year 2010 and $53.4 million in fiscal year 2011).

Never before has the State of Hawaii faced a declining revenue picture approaching the magnitude faced by the 25th Legislature. In fact, the $2 billion shortfall through the biennium budget as projected at the start of this legislative session seemed to have left many in various states of denial. While considerable budget reductions are a necessary component of a balanced financial plan, they are just one factor in aligning the State's expenditures and revenues.

In an effort to close the budget shortfall, the Governor attempted to reduce each department's discretionary budget by 20 percent. The factors that determined the amounts deemed discretionary are still not entirely clear, and many departments did not meet the target reduction. Nonetheless, reductions resulting from this exercise and other adjustments made by the Governor resulted in a net decrease of operating costs of $209 million for fiscal year 2010 and $186 million for fiscal year 2011. Accounting for previously authorized collective bargaining amounts and other fixed cost adjustments resulted in the Governor's Fiscal Biennium 2009–2011 executive budget request of $5.361 billion for the first fiscal year, and $5.464 billion the second.

The Governor adjusted the biennium budget request to include reductions to account for the use of such funds as the Emergency and Budget Reserve Fund and ARRA stimulus funds. This, along with other adjustments, lowered the net executive budget request by $190 million and $69 million for fiscal year 2010 and fiscal year 2011, respectively.

HUMAN SERVICES

Especially in these times tough economic times, the 25th Legislature found it important to support the Department of Human Services in its effort to provide services to those most in need. The Governor imposed a number of adjustments on this department's budget that would result in the loss of important services to the State's most vulnerable citizens.

Of particular note is the Governor's elimination of Adult Dental Services for Medicaid eligible adults. The program provides for those that could not otherwise afford services such as exams, cleanings, and benefits for dentures. With the help of Federal ARRA funds, the legislature was able to appropriate $2.6 million in fiscal year 2010 and $3.1 million in fiscal year 2011 to restore the Adult Dental Program, which was cut by the Governor. In addition, the legislature partially restored funding for Immigrant Health Services, also cut by the Governor. In total, the legislature appropriated $211 million in fiscal year 2010 and $105 million in fiscal year 2011 in ARRA funds for Department of Human Services programs.

Additionally, the legislature was able to appropriate ARRA money and other Federal funds for the following TANF-related purposes: $20 million in fiscal year 2010 and $5 million in fiscal year 2011 of TANF contingency funds; $25 million in fiscal year 2010 and $6.25 million in fiscal year 2011 of TANF emergency funds; $5.4 million each fiscal year, of TANF assistance for non-IV E foster children; and $3.5 million in fiscal year 2010 and $900,000 in fiscal year 2011 for other assistance to non-IV E children.

HEALTH

Within the Department of Health, the legislature was able to designate ARRA stimulus funds in the amount of $87,759,247 for fiscal year 2010 and $15,240,740 for fiscal year 2011, providing significant impact on the following programs and services:

—Enhanced FMAP reimbursements will reduce the need of the following general fund expenditures:
  —Developmental Disabilities: $14,473,221 in fiscal year 2010 and $4,975,266 in fiscal year 2011;
  —Adult Mental Health: $2,531,764 in fiscal year 2010 and $870,310 in fiscal year 2011; and
  —Child and Adolescent Mental Health: $3,042,537 in fiscal year 2010 and $1,045,893 in fiscal year 2011.
—Early Intervention to ensure compliance with the Federal Individuals with Disabilities Education Act, Part C: $2,139,843 in fiscal year 2011.
—Emergency Medical Services to improve communication between ambulances and hospitals; and to implement a statewide telecommunication system for critical patient information: $11 million in fiscal year 2010 and $7,865,000 in fiscal year 2011.
—Environmental Management to provide grants for drinking water and wastewater infrastructure improvements, diesel emissions reductions for school buses, regulatory oversight of underground storage tanks, and technical expertise for water quality standards: $53,505,883 in fiscal year 2010.

PUBLIC EDUCATION

The 25th Legislature recognizes the importance of providing a quality education to our children, to ensure their ability to thrive in the global society of today and tomorrow. Hawaii is fortunate to be receiving Federal stimulus dollars to support education and other State programs in the upcoming biennium. The Legislature appropriated stimulus dollars for the following educational programs: $19.8 million for Title I and Educational Technology in fiscal year 2010; $20 million for IDEA Part B and IDEA Part B Preschool funds in fiscal year 2010; and $116,000 for the McKinney Vento Homeless Assistance Program in fiscal year 2010.

In the interest of insulating the school system from much of the impact of the budget shortfall, the legislature appropriated $56.6 million in stimulus dollars for education in each year of the biennium. These funds are to be distributed between public schools and charter schools based on the latest enrollment projections. The Governor and the Department of Education are currently working on a memorandum of agreement on how the Federal assurances will be met.

The receipt of Federal stimulus dollars also provided this legislature with an opportunity to make to provide a degree of funding stability to the charter schools' fiscal year 2010 and fiscal year 2011 budget with an appropriation of $2.8 million in Federal stabilization funds.

CONCLUSION

In appearing before this distinguished committee, I have tried to explain the extent to which the Federal ARRA Stimulus monies have helped the State of Hawaii with our budget shortfall. As with just about every other State, Hawaii found itself in deep need of assistance, and found the Federal ARRA Stimulus funds to be the stabilizing force in helping us to close our session submitting a balanced budget to the Governor.

Unfortunately as our economy continues to backside the revenue stream that supports State services has continued to deteriorate. Since the end of the last regular session of the legislature the latest projection by the Council on Revenues showing a decline of $650.3 million through the current biennium 2009–11 ($206.7 million for the fiscal year just completed, $228.7 million for fiscal year 2010, and $214.9 million for fiscal year 2011). The Governor, public employees, and Legislature will need to make substantial and undoubtedly difficult adjustments to public services that our citizens rely on. Charting a course that does not further contribute to economic decline and result in higher costs in the long term is the tremendous challenge we face.

Chairman INOUYE. I thank you very much, Madam President.

You mentioned that part two of your act is now in the process of being implemented. How long will that take?

Ms. HANABUSA. We have asked everyone to submit their names to us by this Wednesday. So, hopefully soon after that we will be able to convene that group, and they will be able to do—which is to watch over where the stimulus monies are, and we will be able to report back to everyone as to how the administration is doing on the actual soliciting of competitive grants, as well as where the money has finally reached which departments.

Chairman INOUYE. Who is the convening authority of this group?

Ms. HANABUSA. It is the legislature. And we anticipate what will happen—there are two legislators, one representing the senate, and one representing the house—and we anticipate that they will take the lead on it, and the legislature stands in the position of underwriting all of the costs associated with the convening of such a task force.

Chairman INOUYE. Will the organization be submitting reports to the Congress?

Ms. HANABUSA. We hope that we will—we will be sure that we do, that is a request. And like I said, when all of the Members—yourself, Senator Akaka, Representative Abercrombie and Representative Hirono—submit their names, you will have a direct ear into the process, as well.

Chairman INOUYE. In your presentation on education—which you consider most important, and I agree with you—you mentioned something about homeless?

Ms. HANABUSA. Yes, it is my understanding——

Chairman INOUYE. I'm just curious, what is that?

Ms. HANABUSA. It is the McKinney Vento Homeless Assistance Program of 2010, which was to assist us in really underwriting the cost which the homeless have cost us. And as you know, for myself, Senators, and my district, the Oahu coast, is probably home to the largest homeless population. And it has caused great problems for many of the schools.

I will tell you that one of our charter convergence schools—which was doing very well—I almost lost my principal because he got the influx of the students from what we call "the first tent" homeless development out there. And what happened was—and he tells a very telling story—he says, "The difference is, though we may have children on the coast who people may feel are unruly and misbehave, the one thing we have as an advantage is we know who their Tutu and the Grandma is, and their Grandpa, and we can go to see them, and they sort of whip them into shape." The problem is, what happens—I didn't mean it literally—in my days that was true, but—but what we have now, unfortunately, is the fact that because there is no tie with the community and there's no family structure, they are having a difficulty, so the education and the costs of educating these students have become so great, especially for charter-type schools who are limited, but this is all schools, but particularly those. Just because of proximity to these homeless shelters. This grant is supposed to help us underwrite a lot of that cost.

Chairman INOUYE. How much is involved?

Ms. HANABUSA. What I understand, Senator, is $116,000 for 2010, unless my figures are wrong, that is what I understand has been appropriated. When Ms. Hamamoto comes up here, she might have a better idea, but—and, of course, we're not the only place that has homeless shelter children in the State, as well, so I'm sure we're going to have to share with others.

Chairman INOUYE. Because of this crisis, what can we anticipate as your tenure of the senate, for our legislature—how long will you be in session?

Ms. HANABUSA. We are out of session now, and we will be coming back on the third Wednesday of January, which I believe is the 16th, if I'm correct. And we have, of course, as you know, constitutionally, basically 60 days, unless we extend ourselves.

If we are unable to see a balanced budget, and if the Governor and the respective public sector unions are unable to reach some kind of agreement, I would anticipate that we may probably be in session a lot longer than what we anticipate it to be. But I am hopeful that they will reach some resolution, and with binding arbitration, we apparently are supposed to have a decision by December which would tell us. But that would also tell us whether there's a bigger pica for us to fill.

Chairman INOUYE. Thank you very much.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

Let me add my welcome to the president of the senate, Hanabusa, and thank you for your statement.

As you mentioned—Hawaii and the rest of the country is fortunate to have this ARRA program, and the stimulus package, and as you know, we've received one point—or we expect to receive—$1.4 billion from this stimulus package. And, to date, I think we've just received about 46 percent of that money, and looking forward to the rest of it.

And, of course, because of the situation and circumstance of our State, we've been trying to look for different ways of using that money for our people. In particular, I'm afraid, the hospitals will be confronted with increasing uncompensated care costs as more individuals lose their jobs, and their associated healthcare benefits, as well. Also cuts in Medicaid benefits and reductions in services for compact migrants——

Ms. HANABUSA. That's right.

Senator AKAKA. Which will add to the uncompensated care that we're already struggling within our hospitals.

I've appreciated all of the work that you've been doing to help secure the required State match for Medicaid disproportionate share hospital resources. My question to you is, what must be done to ensure that our hospitals can continue to care for our communities?

Ms. HANABUSA. Senator, as you know, on the legislative end, we can appropriate, however, it's not ours to basically allocate and then expend, that is the Governor's responsibility, and Culiana, actually.

I do, and am, familiar with what you are speaking of, because we just received a report that, especially for those who are Micronesians who—under the compact—are entitled to free care in the United States, and I have just heard of people saying that because of the failure on our part to—I mean, of the State—to get that match and release those funds, that we have some who are going to maybe not have their life-saving dialysis provided to them, because of the lack of funds.

So, it is a major issue. We in the legislature this past session knew that healthcare was a major issue. And what we looked at was the one area that we could really effect, which is our own Health Systems Corporation—the HHSC, the Hawaii Health Systems Corporation. And we're in the process, there, of restructuring it, and even to permit them to sort of go out—sort of a semi-privatization kind of issue—and go out and get other investors to come in, and to—and one of the key hospitals that is onboard for that is Maui Memorial, which has done an exemplary job of positioning itself.

Those are the things that we could do in terms of legislation, to give them the necessary tools and powers to start to address these needs in the ways that they best can.

Notwithstanding, however, on the issue of the matching funds, you know, we can put provisos, we can put everything, but one of the things that the budget permits the Governor to do, in the structure of our government permits the Governor to do—is to restrict funds. So, if she chooses to restrict funds—and, you know, these are difficult times, there's no ill motive attributed to that, at all. It's just that, once she chooses to restrict a particular fund, it then prevents $15 million of matching funds to come in—that will have a major impact on whether or not those services can be provided. And I understand the Governor's analogy, if you don't have one, you get one free—it doesn't matter. But, you know, this is not a matter of a shoe, for example. This is a matter of really being able to provide twice the amount of care that people need for one-half of the amount.

And it seems at that point the economics doesn't work out. You know, if you can get twice for one, for something life threatening, or something as major as healthcare—that's something that you would say, "Hey, I'll take it out of something else, and I'll put it here, because this is the bang for my buck."

So, we also hope that the Governor will re-look at those particular budgetary items which the legislature did a very good job, in my opinion, of maximizing all Federal monies, matching funds, to actually come out and say, "This is where the money should go."

Senator AKAKA. President Hanabusa, we share a concern that a reduction imposed by the State administration will result in a loss of important services to what we call the vulnerable citizens.

Ms. HANABUSA. That's right.

Chairman INOUYE. I have greatly appreciated all of your efforts to help protect our essential social services. Again, the question—what must be done to ensure that vulnerable citizens have access to the services they need?

Ms. HANABUSA. Senator, I think the only thing that we can hope for is that the public—after hearing this testimony—and we have done others like this within the State legislature itself—that we're hoping that maybe the public would get—outraged may be a strong statement—but maybe it has to get to that level, to say, "Hey, it doesn't make sense. We can't not release these kinds of monies, where we can maximize our return by doubling the amount of Federal money that comes back to us." And this is a vulnerable population.

I think it's a matter of policy, and it's a matter of priority, and this is something that I'm hoping that before all of your trips are over, and home—coming home—that you might be able to convince the Governor that these are the types of priorities that we need to have. We need to help the most vulnerable, because that, after all, is what I view is the purpose of government. Is, that's what we're here, first and foremost, to do.

It's nice to be able to encourage and to stimulate the economy which, I think, the best way we can do that, Senator, is to encourage the construction. Which, when you hear Brennon Morioka come up, I hope that he, not only does his highways, but also does his harbors, and his airports, and everything else, and so do some of the others who can go in for the competitive grants. That we can help stimulate the economy.

But for the money that comes in, I think we have to prioritize that to the people who need our help.

Senator AKAKA. Well, I want to thank you very much, President Hanabusa, for——

Ms. HANABUSA. Thank you.

Senator AKAKA [continuing]. Those responses.

Ms. HANABUSA. Thank you.

Senator AKAKA. Mr. Chairman, I want to apologize, and ask to excuse myself from the remainder of this hearing. I have a commitment with veterans on Lanai, and I'll be traveling there.

And, again, I want to thank you again for the hearing, and for your really extraordinary leadership, not only to Hawaii, but to our country. I wish all of you well.

Hawaii is a special place, as you know, and we care for one another. Implementation of the stimulus is something that Hawaii can really work on to help others out. We may be able to do that in Hawaii with the people of Hawaii.

Thank you very much, Mr. Chairman.

Chairman INOUYE. I should note that on a per capita basis, the State of Hawaii has more veterans than any other State. And I'm pleased, if you don't know about it, Senator Akaka is the chairman of the Senate Committee on Veterans' Affairs. So, he's the honcho, here.

Madam President, I thank you very much for your eloquent testimony.

Ms. HANABUSA. Thank you. Thank you very much.

Chairman INOUYE. Our next panel consists of Rear Admiral Michael Giorgione, Commander of the Naval Facilities Engineering Command Pacific Fleet Engineering, U.S. Pacific Fleet.

Mr. Brennon T. Morioka, director of the Hawaii Department of Transportation.

Mr. Abraham Wong, Division Administrator, Federal Highways Administration, U.S. Department of Transportation, and Dr. David

Lassner, vice president for information technology, and chief information officer of the University of Hawaii.

Gentlemen, I welcome you all, may we begin with the Admiral.

STATEMENT OF REAR ADMIRAL MICHAEL A. GIORGIONE, CEC, UNITED STATES NAVY, COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND PACIFIC FLEET ENGINEER, U.S. PACIFIC FLEET

Admiral GIORGIONE. Mr. Chairman, thank you.

Mr. Chairman, I am pleased to appear before you today to provide an overview of the Department of Defense's support of the American Recovery and Reinvestment Act, ARRA, of 2009 in Hawaii.

The Department of the Navy: The Department received approximately $112.7 million in ARRA funds for five projects on Oahu, and two projects on Kauai. To date, three operations and maintenance, O&M projects, programmed at $56.8 million for wharf and runway repairs at Naval Base Pearl Harbor, and Pacific Missile Range Facility, Kauai, have been awarded, and one Milcon project programmed at $19.4 million for a new child development center at Marine Corps base, Hawaii, has been awarded. All four projects were awarded to companies headquartered in Hawaii.

One remaining O&M project, programmed at $3.9 million for window replacement at Marine Corps base, Hawaii, is scheduled to be awarded by September 30, 2009, and one O&M project, programmed at $32.6 million to install photovoltaic systems at Naval Base Pearl Harbor, and PMRF (Pacific Missile Range Facility), is scheduled to be awarded by December 30, 2009.

The Department of the Army: The Army Corps of Engineers, Honolulu District, received approximately $48.9 million in ARRA funds to design and construct 30 facilities sustainment, restoration, and modernization projects. The 30 projects consist of 4 Air Force projects, totaling $2.4 million, and 26 Army projects totaling $46.5 million.

One project has been awarded for construction at $1.2 million. Five projects totaling $4.7 million are scheduled for award by September 30, 2009, and the remaining 24 projects, totaling $42.8 million will be awarded in fiscal year 2010. Most of these projects are within the capability of small businesses, so the use of small businesses will be used to the maximum extent possible.

The Director of Public Works, U.S. Army Garrison Hawaii, received approximately $24.9 million, excuse me—$29.4 million in ARRA funds to design and construct 36 projects. Six projects have been awarded for construction at $8.1 million.

ARRA civil works projects in Hawaii: The Corps of Engineers also executes non-Department of Defense work under the civil works authority to develop, manage, protect and enhance our Nation's water and related land resources for commercial navigation, flood risk management, ecosystem restoration and allied purposes. Through the civil works authorities, the Department also provides emergency services for disaster relief, and administers the Army's regulatory program.

The Honolulu District's scheduled $5.2 million of ARRA funds for their operations and maintenance and regulatory programs. They have obligated for contracts, $700,000 for maintenance dredging of

Haleiwa Harbor, and intend to identify for revocation $3.9 million that was not needed, due to the availability for fiscal year 2009 funds to do the scheduled work.

Work to upgrade the Regional Visitors Center at $348,000 is scheduled for fiscal year 2010. The regulatory program has also scheduled $200,000 of ARRA funds to be obligated over fiscal year 2009 and fiscal year 2010.

Department of the Air Force: The Department received approximately $47.4 million in ARRA funds for 26 projects on Hickman Air Force Base on Oahu. Of these 26 O&M projects, 22 projects in the amount of $11.5 million have been awarded, and all 22 projects were awarded to companies doing business in Hawaii. The remaining four projects were programmed at $35.9 million, with the single-largest project—repairs to Pacific Air Force's headquarters building—programmed at $31.5 million. All four projects are scheduled to be awarded by September 15, 2009.

Conclusion: Mr. Chairman, in total, the Department of Defense has received approximately $244 million of ARRA funding, and I can assure you that we are committed to the expeditious execution of ARRA projects to support the Department of Defense in the State of Hawaii. Thank you for your continued support of the armed services, and thank you for the opportunity to provide this statement today.

[The statement follows:]

PREPARED STATEMENT OF MICHAEL A. GIORGIONE

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CONCLUSION

Mr. Chairman, in total, the Department of Defense has received approximately $244 million of ARRA funding and I can assure you that we are committed to the expeditious execution of ARRA projects to support the Department of Defense and the State of Hawaii. Thank you for your continued support of the Armed Services and thank you for the opportunity to provide this statement today.

Chairman INOUYE. Thank you very much, Admiral.

As a result of these DOD investments in Hawaii, how many jobs have been created, and how many jobs have been retained?

Admiral GIORGIONE. So, the one thing I can tell you is that all of the work, to date, has been awarded to companies already doing business in Hawaii. Whether they're headquartered here, small businesses, subcontractors, et cetera. So, I don't know that that has created more jobs, but I would venture to say it has certainly retained everything in the workforce that we've already been accustomed to working with.

Chairman INOUYE. When will all of the contracts be let out?

Admiral GIORGIONE. For all of the services, we expect to be done by March/April 2010, sir.

Chairman INOUYE. So, you won't see any results until next summer?

Admiral GIORGIONE. That's correct, sir. Some of the work has started coming out of the ground, much of it has yet to be awarded.

Chairman INOUYE. Do you find that the coordination that you need, and cooperation from other agencies sufficient?

Admiral GIORGIONE. The coordination is not as prevalent as—I mean, not as necessary, because it's within most of our facility sustainment, and Milcon programs, and things that we issued a date. None of these projects have required any special environmental impact statement or anything of that nature, involving other agencies, but wherever coordination was needed, it's been seamless, cooperative, positive and allows us to execute the program, as needed.

Chairman INOUYE. Your testimony is most reassuring.

Admiral GIORGIONE. Yes, sir.

Thank you, Mr. Chairman.

Chairman INOUYE. Our next witness is the director of the Hawaii Department of Transportation, Mr. Morioka.

STATEMENT OF BRENNON MORIOKA, DIRECTOR, HAWAII DEPARTMENT OF TRANSPORTATION

Mr. MORIOKA. Good morning, Chairman Inouye, thank you very much.

My name is Brennon Morioka, I'm the director for the State department of transportation (DOT), and we're very pleased to provide you with testimony on the status of many of our ARRA projects, as well as give you a little of the background of the process that we went through, and some of our accomplishments in utilizing the funds provided by ARRA.

As a State, we are extremely grateful for the additional funds that ARRA provided as its—we're certain that it will assist our contractors and suppliers, and local companies in these tough economic times. The Federal stimulus funds will further support Hawaii's efforts to focus on investing, properly, in the repair, maintenance and modernization of many of our transportation infrastructure throughout Hawaii, create jobs and help stimulate our economy.

In going through the process to determine what State and county projects we're going to be utilizing ARRA funds, it did require an unprecedented level of cooperation and collaboration amongst our Federal, State, and county agencies, namely our Federal Highways Administration—that we do want to thank them for everything that they did to help facilitate our process—our own State department of transportation, the four county mayors, and their department of transportation directors—Oahu Metropolitan Planning Organization, as well as our legislative partners, especially Representative Umashta, and Senator Sotsuey who played—in the initial roles early on in the discussion.

We also worked very closely, Senator, with your office from the very beginning, often much in advance of the entire ARRA discussion, as everyone kind of knew what might be coming down, and so your office was very helpful in helping us understand how to prepare, and make use of some of the initiatives that our administration had already started with the CIP Strike Force.

And due to the strong level of collaboration amongst all of our various agencies and administrations—both State and county—we do believe that Hawaii has one of the most diverse project lists in the country that will be utilizing ARRA.

We did meet—I met personally, along with my Deputy Director Gerald Sumato of our highways division—with each and every mayor, as well as their staffs—and so I do thank them for making themselves and their staffs available, because there was a very short fuse that we had to deal with, and so we had to make due with trying to move schedules around in order to accommodate. And so, I do thank them for their availability, otherwise I don't think that this would have been possible for us to meet the original deadlines of certifying our projects.

The four counties are receiving at least one-half of the stimulus funds for highways, for related projects, which is far more than they typically receive through the normal formula process, so they are enjoying many of the benefits that ARRA is providing, in terms of assisting them with some of their infrastructure projects.

Some of the projects in the original determination on how we were going to vet the projects, obviously they had to meet all of our timelines, in terms of project development and completion, in order to fully realize all of the ARRA monies. We had to focus on economically distressed areas, especially the Big Island, and Molokai, as required by ARRA.

We wanted to have a diversity of projects that would employ a wide range of construction trades. And then, also, we wanted to look at projects that might have secondary benefits of promoting future job growth, such as low-cost housing, and I think that's a couple of projects that you see, especially on the mid-level road on the Big Island, is namely that, in order to open up, so that we can have additional construction, as well. And then we wanted to provide general transportation benefits to road and highway users.

So, we also took into account in the selection of projects, projects that would employ people for a longer period of time—namely 2 or 3 years—rather than just going toward the easy resurfacing projects a number of other States have, that might just employ people for 2 to 3 months. If we employ people 2 or 3 months, it's a band-aid fix, you know, we're right back where we started, with a lot of people back on the unemployment roll. So we wanted to make sure—knowing that these challenging times would last another that the projects that we selected would get us through these tough times, and back into the point where both the public and private sectors would be able to flourish with our CIP programs.

You know, the Governor had mentioned that nationally, 49 percent of all ARRA funds for highways has been utilized for resurfacing, and compared that with 11 percent here in Hawaii, and I think that just goes toward the counties, and the State DOT, realizing that if we took a little bit more time, maybe just another month, we could put out the projects that would really be meaningful to our labor force here, in Hawaii, and put them to work in a much more prolonged way, rather than a very short-term period.

And so, I think, you know, in light of a lot of the criticism nationally on a lot of States that really did not look at a lot of their own backlog for infrastructure, you really can't say that here for Hawaii, because we do have a lot of projects of bridge—bridge maintenance, bridge repair, bridge replacement, we have brand-new roads that we'll be constructing, a brand-new bike path on Kauai, by Kauai County, as well as a lot of intelligent transportation system investments, here on Oahu, by the city and county of Honolulu, as well as the DOT.

Just a quick status on some of the highway projects that we do have, we initially went out with a list of 19 highway projects that we certified, as a part of the 1511 certification—10 State and 9 county that were selected as part of our implementation.

Nine out of the ten State DOT ARRA projects have already been advertised, awarded, and five already have notice to proceed. We do anticipate the remaining four State projects to receive to notice to proceed by the end of this month.

Two out of the nine county projects have already been obligated, and one-third is in the process right now. And just a note on the county projects—ARRA provided a framework of rules that set different timelines for different projects and for different jurisdictions. The counties were on a very different timeline then the State projects, as outlined in ARRA, but I think what's key to note, here, is that the—that ARRA allowed counties—as well as some of the straggling State projects—to be authorized by February or March of next year, 2010.

We don't believe that that necessarily meets the intent of what ARRA was about, and that's creating jobs and stimulating the economy, so we as a group—the administration, and our four counties—all agreed that we would advertise all of—100 percent of—our ARRA funds for highways by the end of October 2009. So, I believe that we—Hawaii as a State—will be far in advance of many, many other States by the time that we get through this, through this—through the end of the year. And I think that we will be putting ourselves in a great position to take advantage—should there be additional excess funds by other States, who have not been able to fully utilize them by the milestones set by ARRA.

So, I think Hawaii will be very well positioned—and we do have a whole slew of lists of plan B projects that we had ready to go, both at the State level, and all four counties, as well.

Just a quick update—oh, and on top of that, because we have received favorable bids on projects that we've already gone out and advertised, we have been able to realize $17 million of savings to State projects, and we were able to add three additional projects to our certified list, under ARRA, so we'll be going out to bid, within the next 3 weeks, on those additional project.

Airports, we did receive $76.5 million in allocations, either through the Federal Aviation Administration, or the Transportation Security Administration. The FAA project—we started construction on an apron, parking apron, in Kahului Airport. On June 19, the contract amount was $17 million, of which $15 million will be paid through ARRA. We did receive monies from TSA for explosive detection systems—one in Kahului, and one at Honolulu International.

The Kahalui project is approximately 80 percent complete, And the Honolulu International project will begin active construction in a couple of months, once some of the equipment and materials arrive here in Honolulu.

Knowing that ARRA's intent was to expedite projects and get them out on the street as soon as possible, we did take a few steps on the State level to accelerate our project delivery. We shortened the time between award from 60 days to 30 days, and we shortened the time to issue a notice to proceed from a contractor from 90 days to 45 days.

We've also coordinated with regulatory agencies, such as our department of health, in helping them put ARRA projects—whether they're State projects or county projects—on the top of their list, so that they are addressed first, so we can take advantage of these available funds. And both Governor Lingle and Senate President Hanabusa had mentioned the streamlining for some of the new—the new legislation passed this past legislative session.

So, in closing, I do want to thank you for this opportunity to brief you and provide you an update on the status of our projects, and for all of your efforts and your staffs' efforts, as well as the remainder of our congressional delegation, in bringing these ARRA moneys, and making them available to Hawaii, as I do believe we are taking full advantage of them. We are meeting the intent, we are meeting all of the milestones, and we believe that Hawaii, in general, will be beneficiaries of these monies.

Sort of, thank you very much for this time.

[The statement follows:]

PREPARED STATEMENT OF BRENNON T. MORIOKA

The State Department of Transportation (DOT) is pleased to provide this testimony that outlines our current status and accomplishments in utilizing funds provided by the American Recovery and Reinvestment Act (ARRA) of 2009.

We are extremely grateful for the additional funds that were provided by this act to the State of Hawaii as it will help contractors, suppliers, and local companies in these tough economic times. The Federal stimulus funds will further support Hawaii's efforts to focus on investing in the repair and modernization of Hawaii's infrastructure, create jobs and stimulate our local economy.

Determining which State and county road projects would be funded required an unprecedented level of coordination and collaboration between the Federal Highways Administration, the State Department of Transportation, the four county mayors and their transportation directors, and the Oahu Metropolitan Planning Organization. We also worked closely with Senator Inouye and his staff and would like to thank them for their input and support.

Projects were first evaluated on their ability to meet the ARRA milestone requirements. It was also important that we ensured the projects were fairly distributed geographically, including in economically distressed areas and other regions where the project would have an impact in the creation of jobs. We also put an emphasis on projects that had the potential to employ a diverse cross section of construction trades.

A summary of the Department's ARRA program is as follows:

SELECTION OF HIGHWAY PROJECTS

The selection of projects to be undertaken with ARRA funds was a result of a collaborative effort between the four counties and the State DOT to ensure an equitable distribution of ARRA funds. After a list of prospective county and State projects was compiled by DOT, we met with the Mayors of each county to discuss and identify a list of projects statewide.

The final selection of projects was based on the following criteria:

Projects:

—That would meet the ARRA timelines;
—In economically distressed areas (Hawaii and Molokai as of March 2009);
—That would employ a diversity of trades;
—That would provide secondary benefits in promoting future job growth such as low cost housing; and
—That would provide general transportation benefits to road and highway users.

It should be noted that the counties received at least half of the ARRA funds for ready-to-go projects, which is a far greater amount of funding typically provided through the typical formula funds of the Federal aid program.

We also took into account the selection of projects that would employ people over a longer period of time (2–3 years) versus other jurisdictions that selected projects that were easy and quick to get out but would employ people over a shorter period of time (2–3 months). How Hawaii is investing taxpayer monies is important. We felt it important to make sure the investment of these funds would go towards extended employment and longer term benefits.

We are aware that 49 percent of ARRA funds spent for highway systems on a national level has or will be used on resurfacing projects. It is important to note that in comparison; only 10.8 percent of the ARRA funds apportioned to Hawaii will be used on resurfacing projects.

STATUS OF HIGHWAY PROJECTS

Currently of the 19 (10 State and 9 local) original ARRA highway projects, 9 of the 10 State projects have been awarded and 5 have been issued notice-to-proceed. By the end of August, the remaining four should also be issued notices-to-proceed.

Federal funds for two out of the nine county projects have already been obligated with a third soon to be approved by FHWA. Our goal continues to have allocations being drawn for all projects by the end of October.

Because we were able to realize lower bid proposals for ARRA-funded projects, three more road improvement projects have been added to the certified list amounting to an additional $17 million in projects for the State. These additional HDOT projects are scheduled to be advertised in the next 3 weeks.

We also remain committed to provide assistance to Economically Distressed Areas (EDAs), in this case Molokai. The current unemployment rate for Molokai is 13.9 percent as of June 2009; significantly higher than the national unemployment rate of 9.0 percent.

STATUS OF AIRPORTS PROJECTS

The Airports Division received three ARRA grants through the FAA and TSA. The following is a project status report as of August 12, 2009:

—The FAA project to rehabilitate the aircraft parking ramp at Kahului Airport started construction on June 19, 2009 and is 2 percent complete. The total project amount is $17 million with a grant amount of $15 million.

—The first TSA project is for an in-line explosive detection system at Kahului Airport. The project is approximately 78 percent complete. The total project amount is $23,813,066 with a grant amount of a little over $7 million.

—The second TSA project is for an in-line explosive detection system at Honolulu International Airport. The project will begin construction in November 2009. The total project amount is over $58 million with a grant amount of $24.6 million.

EXPEDITING WORK

Recognizing the importance of accomplishing bid, award and implementation of ARRA projects, we have:

—Shortened the time to award bids from 60 days to 30 days.

—Shortened the time to issue notice-to-proceed from 90 days to 45 days.

—Coordinated with State and County regulatory agencies Department of Health to obtain priority processing of permits for ARRA highway projects.

—Implemented new legislation to the Hawaii Public Procurement Code that allows streamlined procurement for ARRA projects.

CLOSING

Thank you for providing us an opportunity to brief you on Hawaii's efforts to use ARRA funds prudently and expeditiously. These projects demonstrate how the State, counties, and Federal agencies can work together to serve the critical needs of Hawaii's residents and focus on investing in the repair and modernization of Hawaii's transportation infrastructure and create jobs for the people in our State.

Chairman INOUYE. I thank you very much, Mr. Director.

I've been home, now, for 10 days, and during those 10 days, I do watch television every so often, and I see this commercial coming on—commercial that suggests that most of the workers that are being hired for our projects are from abroad, not from here. Do you have any comment on that?

Mr. MORIOKA. Well, I can only comment on the transportation projects, and all of the ARRA projects that we have awarded have gone to local contractors.

Chairman INOUYE. So, there is some discrepancy there?

Mr. MORIOKA. You know, I've only seen one of those commercials, and it is—I'm not sure what the terms of those contracts were.

But anytime we deal with Federal contracting, as well, there are provisions that prohibit regional—you know, selecting contractors based on locale. And I think, in terms of the way that we put out our contracts at DOT, and working with Federal highways, or FAA, the majority of our contracts do end up with local contractors. I think they are the most suited in terms of ramp up very quickly, because all of their equipment is here, and so, you know, we—as a department—we have not had any issues in this area.

Chairman INOUYE. Are you confident that your department will be meeting all of the deadlines?

Mr. MORIOKA. Absolutely.

Chairman INOUYE. You're one of the very few in the United States who can say that.

And I congratulate you on that.

Then you must find that your coordination with other agencies, the State and county, are good?

Mr. MORIOKA. Yes, it has. And actually, we were at a meeting in Seattle in which some of the new administration from Federal Highways Administration were there, and one of the things that I did point out to the Administrator of the Federal Highways Administration—Jeff Paniotti—was that there had been unprecedented cooperation—not just with our local office, but with many of the other Federal highways in their headquarters.

And so, we have been very appreciative of all of that effort.

Chairman INOUYE. And your coordination, cooperation with county governments are good?

Mr. MORIOKA. We are doing our best, I think it is unprecedented in the amount of communication. I know the city and county of Honolulu recently passed their self-certification process that allows the State to move a lot quicker.

I do receive calls from some of their directors for assistance with some of the permitting process, and I do what I can to help accelerate those, as well.

Chairman INOUYE. Can you provide the committee with some estimate on the number of jobs that have been created, and retained, as a result of this spending?

Mr. MORIOKA. Yes, I can.

[The information follows:]

STATE AND COUNTY PROJECTS USING FEDERAL RECOVERY FUNDS

Funding priority	Jurisd.	Island	Project title	Status	Cost	Notes
S1	STATE	Oahu	H–1, Seismic Retrofit, Farrington Highway & Makakilo Separation, Oahu	NTP 7/13/09	$870,450	
S2	STATE	Oahu	Kamehameha Highway, South Punaluu Bridge Replacement, Oahu	NTP 8/26/09	$15,298,510	
S3	STATE	Hawaii	Hawaii Belt Road, Clean & Paint Steel Members, Kukuaiu, Kuwaikahi, Ninole and Maulua Bridges, Hawaii.	NTP 9/8/09	$4,301,949	
S4	STATE	Kauai	Maalo Road Resurfacing, MP 0–MP 1.0, Kauai	NTP 7/20/09	$734,333	
S5	STATE	Kauai	Kuhio Highway Resurfacing, Kawaihau Road to Kapaa Bridge, Kauai	NTP 7/20/09	$1,026,666	
S6	STATE	Kauai	Kuhio Highway, Short Term Improvements, Kuamoo Road to Temporary Bypass Road.	RTA October 2009	$17,000,000	$34 million total CON, $17 million ARRA funds.
S7	STATE	Maui	Piilani Highway Pavement Preservation, Lipoa Street to Kilohana, Maui	NTP 8/31/09	$2,979,480	
S8	STATE	Maui	Hana Highway PPM, Kaupakalua Road to Huelo, Maui	NTP 8/26/09	$619,301	
S9	STATE	Molokai	Maunaloa Highway Resurfacing, MP 5—Airport, Molokai	NTP 8/26/09	$2,688,406	
S10	STATE	Molokai	Kalae Highway PPM, Maunaloa Highway to Kalaupapa Lookout, Molokai	NTP 8/26/09	1,061,781	
SR3	STATE	Molokai	Farrington Hwy Resurfacing, Kalae Hwy to Puupeelua Ave, and Puupeelua Hwy Resurfacing, Farrington Ave to Moanaloa Hwy (Route 480 PPM), Molokai.	RTA August 2009	$6,000,000	
SR4	STATE	Maui	Kaahumanu Avenue, Waiale Bridge Girder Replacement, Maui	RTA September 2009	$2,750,000	Project ready—Amending 1511 CERT.
SR1	STATE	Oahu	H–1 Dowel Retrofit, Kaimuki and Palailai Areas, Oahu	RTA September 2009	$11,000,000	
	Subtotal				$66,330,876	
C1	C&C HON	Oahu	Traffic Signals at Various Locations, Phase 10	RTA September 2009	$3,407,221	Obligated 6/18/09.
C2	C&C HON	Oahu	Traffic Imp. at Various Locations, Harding Ave. and 5th & 11th Aves	RTA September 2009	$2,800,000	Obligated 8/18/09.
C3	C&C HON	Oahu	Waipio Point Access Road Improvements	RTA October 2009	$5,000,000	
C4	C&C HON	Oahu	Traffic Management Center Auxiliary Power Facility	RTA September 2009	$400,000	
C5	C&C HON	Oahu	Kalaeloa Blvd Widening and Reconstruction, Phase 1 OR&L ROW to Lauwiliwili Street.	RTA September 2009	$7,000,000	
C6	COUNTY	Hawaii	Ane Keohokalaoloe Highway, Hawaii	RTA October 2009	$35,000,000	
C8	COUNTY	Kauai	Lydgate Park to Kapaa Bike/Ped Path (phase III)	RTA September 2009	$4,120,000	RTA rescheduled from July 2009 due to Sierra Club complaint to FHWA.
C9	COUNTY	Maui	Market Street Improvements, Phase 2	Bid Open 9/16/09	$5,287,166	
	Subtotal				$63,014,387	
	TOTAL				$129,345,263	$125,746,380

Chairman INOUYE. I have a confession to make—I'm allergic to pollen, and Hawaii is filled with pollen.

So, if you want to give me a label, get it.

So, you're satisfied with the coordination, fine with all of the county governments—these projects are jointly planned?

Mr. MORIOKA. Yes, because the State department of transportation is the—considered the oversight agency, we don't have to oversee the county projects, as well, and so we have tried to assist them with our own staff, in order to make sure that they will meet the deadlines, as well.

Chairman INOUYE. Well, I thank you very much, Mr. Director. You've been very helpful and let's have more so that we can do some ribbon-cutting.

Mr. MORIOKA. Absolutely.

Chairman INOUYE. And now our next witness is the Division Administrator of the Federal Highway Administration, Mr. Abraham Wong.

STATEMENT OF ABRAHAM Y. WONG, DIVISION ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Mr. WONG. Thank you.

Mr. Chairman, thank you for this opportunity to discuss the impact on Hawaii's economy of highway infrastructure funding on the Recovery Act.

The FHWA Division Office has been working closely with the Hawaii Department of Transportation to ensure that Recovery Act requirements are met, investments are appropriate, and highway projects are implemented efficiently to put people to work in good jobs.

My office's partnership with HDOT to administer Recovery Act started even before the act was passed, as we began coordinating to identify appropriate projects. On March 3, 2009, President Obama, and Vice President Biden joined Secretary LaHood at the DOT, to announce the availability to States of nearly $26.7 billion for highway investment, including $125.7 million for Hawaii.

The Hawaii Division Office has authorized 11 projects in Hawaii for a total of more than $51 million, and HDOT has already awarded contracts against 9 projects, totaling $43 million in Recovery Act obligations.

To date, HDOT has issued notices to proceed for five of these projects, allowing contractors to begin construction. In addition to providing jobs, these projects will extend the life of Hawaii's pavements and bridges.

We are working diligently to ensure that the funds for projects in Hawaii are quickly distributed, however, we must also get the funds out in the right way, and FHWA continues to focus on reporting and risk management.

To guide our oversight, we are employing risk management strategies, including resource enhancement, communication and education efforts, and Division Office and National Review Team oversight. For example, in the Hawaii Division Office, we have added one full-time engineer, a part-time financial specialist to help ensure projects are delivered as quickly as possible, with full attention to requirements and stewardship.

In partnership with HDOT, we have established procedures to meet Recovery Act reporting requirements, and we have met those requirements.

Hawaii division offices have also provided training through a number of venues to various groups, including Hawaii Council of Mayors, industry groups, and State and county staffs. Additionally, we have provided information through the State website, and our local Transportation Assistance Program Center at the University of Hawaii.

As another risk mitigation strategy, FHWA has required each division office to develop its own Recovery Act risk management strategy, which includes spot checks of projects to ensure proper procedures are followed. In Hawaii, the division office has assisted the State and local partners, delivering some of the most challenging and complex project in Hawaii's Recovery Act program, mainly the Kuhio Highway Project on Kauai, and Mid-Level Road Project on the Big Island.

My office has also carried out 20 project reviews, and in some cases recommended procedural changes to improve the quality or efficiency of meeting a requirement.

FHWA has also established 3 national review teams to carry out more in-depth reviews in our identified risk areas across all 50 States. One of these review teams will visit Hawaii in October.

As we move forward with Recovery Act implementation, we will continue to employ these risk mitigation strategies. At FHWA, we are mindful of the importance of ensuring the successful investment of highway dollars under the Recovery Act. When all of Hawaii's Recovery Act highway funds are expended, we estimate that this investment will create and retain over 1,350 full-time job years.

In addition to near-term employment, these highway infrastructure investments will return economic benefits to Hawaii for many years to come.

In the Hawaii Division Office, we are doing our part to work with HDOT to ensure that Hawaii's remaining Recovery Act funds are invested as quickly as possible—as quickly, and effectively, as possible.

Mr. Chairman, this concludes my remarks, I would be happy to answer your questions.

[The statement follows:]

PREPARED STATEMENT OF ABRAHAM Y. WONG

Chairman Inouye, Ranking Member Cochran, and Members of the Committee, thank you for the invitation to appear before you today to discuss the impact on Hawaii's economy of funding for highway infrastructure under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Federal Highway Administration (FHWA) Hawaii Division Office has been working very closely with the Hawaii Department of Transportation (HDOT) to ensure that Recovery Act requirements are met, investments are appropriate, and Recovery Act highway projects are implemented efficiently to put more people to work in good jobs.

Signed into law by President Obama on February 17, 2009, the Recovery Act is an unprecedented effort to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long neglected infrastructure challenges so our country can thrive in the 21st century. The Recovery Act is a lifeline for Americans who work in construction and have been especially hard hit by the recession. Overall, the Administration estimates that the highway portion alone of the Recovery Act will eventually create or sustain close to 300,000 jobs by 2012.

Today, I want to share with you FHWA's current and planned activities for effectively administering the Recovery Act in Hawaii and throughout the country.

OVERVIEW

Even before the Recovery Act became law, the Department of Transportation (DOT) developed an implementation strategy to ensure that the Department would be prepared to carry out its elements of the legislation as quickly and effectively as possible. Staff from FHWA joined an intermodal team of experts from a variety of disciplines (policy, legal, financial, and information technology), assembled by DOT Secretary Ray LaHood, to anticipate the requirements in the pending legislation. This team—called the Transportation Investment Generating Economic Recovery, or TIGER, Team—was tasked with coordinating and overseeing the Department's responsibilities. The outstanding work of the TIGER Team continues to be instrumental in keeping DOT's Recovery Act implementation on track.

Likewise, FHWA's partnership with HDOT to administer the Recovery Act started before the Act was passed. Anticipating passage of the bill, the FHWA Hawaii Division Office worked with HDOT and coordinated with local agencies to identify projects that would strike the best balance between funding, needs, and expediency. The Hawaii Division Office used regularly scheduled meetings, video conferences, and various program planning scenarios to consider the most effective and efficient way forward for Hawaii.

On March 3, 2009, President Obama and Vice President Biden joined Secretary LaHood at DOT to announce the availability to the States of nearly $26.7 billion for highway investment, including $125.7 million for Hawaii. Within hours of the President's announcement, States began approving projects—in full compliance with all Federal laws and regulations. FHWA reached a significant milestone 3 weeks ago with the approval of the 6,000th highway project funded by the Recovery Act. As of August 14, FHWA Division Offices have authorized 6,626 projects in all States and territories for a total of $17.52 billion. This represents 66 percent of total funds available. We are working diligently to ensure that the funds for these projects in Hawaii and nationwide continue to be distributed quickly, wisely, and with unprecedented transparency and accountability.

Currently, we have 3,248 Recovery Act highway construction projects actually underway nationwide. As each project is approved and construction begins, we are seeing a reenergized spirit of communication and partnership among FHWA, States, Metropolitan Planning Organizations, local governments, and the transportation industry. FHWA is also hearing good news from States that many projects are running under budget. In Hawaii, bids on early projects have come in well below the engineers' estimates—in some cases, as much as 50 to 60 percent. The savings are now being programmed for additional needed work and will be creating even more jobs.

The Hawaii Division Office has authorized 11 projects in Hawaii for a total of more than $51 million, and HDOT has awarded contracts against 9 projects, totaling $43 million in Recovery Act obligations. To date, HDOT has issued notices to proceed for five of these projects, allowing contractors to begin construction. HDOT anticipates issuing notices to proceed for several more projects in the next few weeks.

We estimate that these five projects alone will provide around 200 full time jobs. In addition, these projects include a number of important resurfacing, preservation, and replacement efforts that will cost-effectively extend the serviceability of the State's pavement and bridges.

For example, construction will begin soon on the South Punaluu Stream Bridge replacement project on Kamehameha Highway in Hauula. Approximately $20.3 million in Recovery Act funds will be used for this project to help ensure continued safe operation of this vital link to Oahu's North Shore.

Construction is also well underway for seismic retrofit of two critical overpass bridges on the H–1 freeway in the Kapolei area. This $865,000 Recovery Act project will use fiber reinforced polymer wrap technology to ensure seismic safety for these key bridges.

A clean and paint project will begin in September in the Paauila area on Hawaii Belt Road. This $8.2 million Recovery Act investment will protect and preserve four historic steel trestle bridges by removing the existing lead-based paint and repainting the bridges with a zinc-rich moisture cure polyurethane paint system.

These are just a few examples of how, in Hawaii, Recovery Act dollars are providing needed investments for our people and in our infrastructure. This is happening throughout the country. Every new project obligated is a signal for States to advertise contracts, and for contractors to begin hiring workers and ordering materials such as steel, asphalt, and concrete. Recovery Act projects will save lives, while strengthening the economy by helping our highway system move people and goods more efficiently and effectively.

ECONOMICALLY DISTRESSED AREAS

The Recovery Act requires States to give priority to projects located in Economically Distressed Areas (EDAs), and FHWA has oversight responsibility to ensure that the States fulfill this requirement. An EDA may be determined using one of three criteria. Under the first two criteria, an area is economically distressed if it has a per capita income of 80 percent or less of the national average or if it has an unemployment rate that is, for the most recent 24-month period for which data are available, at least 1 percent greater than the national average unemployment rate. In order to assist the States in evaluating these criteria, FHWA has provided a diagnostic self-assessment tool that utilizes geographic information system mapping technology to identify EDAs based on per capita income and unemployment rates at the county level. Using this tool, the Big Island of Hawaii and the island of Molokai have been identified as EDAs.

FHWA is close to issuing additional guidance about the third criterion—special need. Hawaii has not yet identified any EDAs using the special need criterion. However, FHWA will work with the State should Hawaii identify any areas that might meet the special need criterion.

FHWA Division Administrators continue to work closely with their State counterparts to assess which areas within each State meet the definition of EDA. The Divisions and States reviewed the number of projects and share of Recovery Act dollars slated to be spent in these areas. Currently, of the funds already obligated in Hawaii, 27 percent are directed toward EDAs for three projects totaling over $14 million. Our Hawaii Division Office will continue to work with the State to ensure that the State is giving priority to EDAs in the selection of projects.

TRANSPARENCY, ACCOUNTABILITY, AND RISK MANAGEMENT

With two-thirds of the total FHWA-administered Recovery Act funds obligated, the Agency continues to focus on reporting and management of the risks associated with such a large investment of dollars in transportation. It is not only important to get the money out quickly—we must get it out in the right way. The public needs to know what their money is buying, and FHWA has moved forward aggressively to fulfill the President's commitment to transparency and accountability for Recovery Act funds. FHWA's Recovery Act progress is on the front page of our website, updated every day, and we are providing detailed reports through Recovery.gov.

Even before the Recovery Act was enacted, the Agency realized that delivery of Recovery Act projects would not be business as usual. While FHWA was fortunate in having established programs, procedures, and partners for handling the Recovery Act funds, the Agency recognized that there were additional risks associated with the sudden increase in funds coupled with the tight timelines the Act imposed for getting funds in the hands of recipients. Accordingly, we developed a risk analysis and risk mitigation plan associated with the Recovery Act funding. With assistance from the Office of Management and Budget, the Office of Inspector General, and the Government Accountability Office, FHWA studied the risks associated with the Recovery Act and began taking precautions. We finalized a National Risk Management Plan in April to guide our oversight of these funds and to ensure that they are spent appropriately.

Many of the risks we identified are associated with the contract and construction phase of a project. There are inherent risks in rushing to push projects out the door. Credible estimates of cost and schedule and timely adjustment of obligated amounts are important. Bid, contract negotiation, and change order procedures must remain within Federal guidelines. Additionally, we must ensure that Recovery Act funds are used for their intended purposes. Local agency oversight due to lack of experience by local public agencies in handling Federal-aid projects is another risk area FHWA identified and is addressing.

FHWA is implementing eight risk mitigation strategies: Resource Enhancement; Communication and Education; Sharing Risk with Partners; Division Office Oversight; National Oversight; Measure, Monitor, and Review; Information and Tool Development; and Reassessment and Feedback. These strategies are cross-cutting and respond to the identified risks by enhancing staff capabilities, providing guidance and information, and ensuring oversight. We are actively employing these strategies at the local, State, and National levels.

For example, FHWA has provided additional staff at the Division Office level to ensure projects are delivered as quickly as possible with full attention to requirements and stewardship. In the Hawaii Division Office, we have added one full time engineer and a part time financial specialist. In partnership with HDOT, we have established procedures to meet Recovery Act reporting requirements, and we have met the requirements.

FHWA's communication and education efforts are extensive. The FHWA Headquarters Office has held a set series of weekly, then bi-monthly, and now monthly video conferences with Division Office staff, coupled with a website that includes a series of questions and answers as guidance to field staff. Within 2 weeks of the Act's passage, FHWA issued detailed guidance explaining how the funds were to be administered. The FHWA Headquarters Office has also held a series of teleconferences, and web and video conferences with stakeholders, including State DOT Chief Executive Officers (CEOs), local agency Directors of Public Works, County Engineers, and tribal leaders and their transportation personnel. The Agency has supplemented these national efforts through numerous training sessions sponsored, in part, by FHWA Division Offices. Our primary purpose in these sessions is to help State and local officials understand Recovery Act requirements and find ways to streamline the processes, while still meeting legal requirements. The Hawaii Division Office has provided training through a number of venues to various groups, including the Hawaii Council of Mayors, industry groups, and State and county staffs. We have also provided information through the Hawaii State website and our Local Transportation Assistance Program Center at the University of Hawaii.

As another risk mitigation strategy, FHWA has required each Division Office to develop its own Recovery Act risk management strategy, which includes an active program of highly visible, frequent "spot checks" on five of the key national risks. Often conducted on construction sites, the purpose of these spot checks is to ensure proper procedures are followed. Nationwide, FHWA has carried out over 2,000 of these spot checks. In Hawaii, the Division Office has been actively involved in assisting the State and local partners delivering the most challenging and complex projects in Hawaii's Recovery Act program, namely the Kuhio Highway project on Kauai and the Ane Keohokalaoloe Highway project on the Big Island. The Hawaii Division Office has also carried out 20 project reviews and, in some cases, recommended procedural changes to improve the quality or efficiency of meeting a requirement.

While FHWA is depending on its Division Offices to carry out these spot checks on the front lines of the agency's risk management, FHWA has also established three National Review Teams to carry out more in-depth reviews in our identified risk areas across all 50 States. By the end of the year, FHWA expects these teams to have visited all 50 States, carried out more than 90 reviews, and inspected nearly 400 projects, which will lead to reduced risks and increased accountability. One of these teams will visit Hawaii in early October. When the review teams find similar issues in several States, FHWA sends an advisory to its Directors of Field Service for discussion with field offices. The results of these national reviews are summarized every 2 weeks and reported at the highest levels in the Agency.

The Agency is also monitoring progress and risks by analyzing data received from States, coupled with information obtained from the National Review Teams, to identify trends or problem areas and make swift real-time corrections as needed.

We are also reviewing projects both prior to and after authorization to ensure projects are moving forward and meeting all applicable requirements. Many of the project reviews thus far have focused on environmental clearances and design requirements needed for individual projects. In the Hawaii Division Office, for instance, on Mid-Level Road on the Big Island, we are working very closely with the State and County to deliver this complex $35 million project under the Recovery Act. Likewise, we have assigned an experienced engineer to work with the State on the Kuhio Highway project on Kauai.

As we move forward with Recovery Act implementation, we will continue to employ these risk mitigation strategies to fulfill our mandate that these funds are prudently spent.

CERTIFICATIONS AND REPORTING REQUIREMENTS

The Recovery Act includes a number of certification and reporting requirements that apply to highway infrastructure investments. These include section 1201 maintenance of effort (MOE) certification and reporting, section 1511 certification, section 1512 reporting, and section 1609 reporting requirements. FHWA has worked proactively in each of these areas to ensure that States have the guidance they need to comply with the requirements, and that we process these submissions efficiently.

Implementation of the section 1201 MOE provision has presented some challenges. The provision establishes a process through which States verify that Recovery Act funds supplement, not supplant, planned State expenditures. While all States and territories met the statutory filing deadline of March 18 for their certification of planned State expenditures, the Agency's review of the MOE certifications revealed substantial variations in how States calculated their certified amounts. As a result, FHWA worked with other DOT modal administrations and the Office of the Secretary to provide additional guidance and technical assistance to States so that they could file amended MOE certifications if appropriate. As an additional oversight step, FHWA Division Administrators have met with their respective States to review the calculation methodology used by the State for the highway infrastructure portion of the MOE certification. In those meetings, they also discussed how the State prepared the first MOE reports of actual State expenditures. These steps are to ensure that there is a "level playing field" when it is time to measure MOE performance and determine which States may participate in the August 2011 redistribution of obligation authority.

Section 1511 of the Recovery Act requires submittal to the Secretary of a certification by the Governor, mayor, or other State or local government CEO, stating that the infrastructure investment has received the full vetting and review required by law, and accepting responsibility that the investment is an appropriate use of taxpayer dollars. The certification also must include certain specific information on the investment, including the project description, estimated total cost, and amount of Recovery Act funds to be used. The 1511 certification must be posted online before Recovery Act funding may be obligated to the project. FHWA has been successful in rapidly reviewing for sufficiency and posting online the 1511 certifications so that highway infrastructure projects can move forward quickly. Hawaii's 1511 certifications submitted to the Secretary on March 16 and July 21 included a total of 19 projects fully vetted and reviewed as required by law. The projects identified in the 1511 certification included both projects that could be shovel ready in a short period of time and larger projects that were significant new additions to the transportation system. The projects were also selected to meet all the sub-allocation requirements contained in the Recovery Act. FHWA continues to work closely with HDOT to monitor these projects and help ensure their successful delivery.

As part of the transparency requirements of the Recovery Act, both section 1201 and section 1512 call for recipients to submit information on funded projects, including progress on the project and economic effects such as job creation. Even before final passage of the Recovery Act, FHWA moved forward with the development of an electronic system to facilitate compliance with the expected reporting requirements. To the extent possible, the FHWA system uses existing data sources to fulfill Recovery Act data needs, which helps to streamline the reporting process. The Agency held a number of outreach sessions for its partners to assist them in using the reporting system. In addition, FHWA has assisted its recipients in data quality assurance efforts. All of these actions enabled FHWA to begin providing Recovery Act data not long after implementation.

To ensure that projects meet the goals of both the National Environmental Policy Act (NEPA) and the Recovery Act, section 1609 requires that the President periodically report on the NEPA status and progress of Recovery Act-funded projects and activities. This is a significant undertaking for highway infrastructure projects because of the number of projects. FHWA is working closely with its State partners and the President's Council on Environmental Quality, which is overseeing section 1609 reporting, to fulfill this requirement. FHWA's first section 1609 report on April 9 provided information on over 3,000 projects, with approximately 2,500 Federal environmental approvals completed. The second report dated April 30 addressed over 4,000 projects, with approvals completed on more than 3,000 projects. In the report to Congress on August 3, FHWA reported over 5,000 projects, with approvals completed on more than 4,500 projects. For Hawaii, this included eight projects with all Federal environmental approvals completed on four projects. This reporting demonstrates the cooperative partnership FHWA has with State DOTs as well as with our Federal partners.

CONCLUSION

At FHWA, we are mindful of the importance of ensuring the successful investment of highway dollars under the Recovery Act. When all of Hawaii's Recovery Act highway funds are expended, we estimate that this investment will create or retain over 1,350 full time job-years. In addition to the near-term employment impacts, these highway infrastructure investments will return economic benefits to Hawaii for many years to come. In the Hawaii Division Office, we are doing our part to work with HDOT to ensure that the State's remaining Recovery Act funds are invested as quickly and effectively as possible.

Mr. Chairman, thank you for the opportunity to appear before you today. I would be happy to answer your questions.

Chairman INOUYE. I thank you very much, Mr. Wong.

Are you satisfied with the relationship that you have established with HDOT?

Mr. WONG. Yes, very much so. I think we looked at this as a great opportunity. One of the things we recognized at the outset, I guess, was that this was not going to be business-as-usual, and we'd have to look at ways of overcoming certain challenges and working together more closely. I think, to date, that's fulfilled that expectation, and we look forward to——

Chairman INOUYE. Do you agree with Director Morioka's response that his department will meet all deadlines and milestones?

Mr. WONG. We're on schedule, as it is. You know, we took a great deal of time and effort, I think, in the beginning to kind of set out a plan—identifying the projects, looking at the timeframes, and kind of matching that up with the resources and people that we had to work with.

And putting together that plan, we are, at this point, on schedule with all of the components of the plan, so I don't think we're going to——

Chairman INOUYE. How many States do you think are on schedule?

Mr. WONG. I think it's tough for me to say. I mean, we see some numbers—we're kind of right at the bottom or middle of the pack, some are ahead of us, some are behind us, so you know, we're——

Chairman INOUYE. But we're doing okay?

Mr. WONG. We're doing okay.

Chairman INOUYE. So, you're satisfied with the coordination that you are finding?

Mr. WONG. I think—I think, yeah. This challenge has really brought us together in a way, you know, we haven't communicated and coordinated, you know, in the past, and this has really been, you know, effective.

Chairman INOUYE. When will the full amount of the contract have been obligated?

Mr. WONG. When will the——

Chairman INOUYE. You obligate the funds that you receive?

Mr. WONG. Yes, we've obligated about 42 percent of those funds at this point.

Chairman INOUYE. When will the rest be?

Mr. WONG. We're required to have 100 percent obligated by March 3, 2010. As Director Morioka stated, our goal is to have them obligated by the end of October.

Chairman INOUYE. So, you're satisfied you'll meet the deadline?

Mr. WONG. I think we'll be close. We may be a little bit over, but I think within this year.

Chairman INOUYE. Congratulations, sir.

Mr. WONG. Thank you.

Chairman INOUYE. We thank you very much.

Mr. WONG. Thank you.

Chairman INOUYE. Now, I'm pleased to call upon Dr. David Lassner, the vice president for information technology and chief information officer at the University of Hawaii.

Dr. Lassner.

STATEMENT OF DR. DAVID LASSNER, VICE PRESIDENT FOR INFORMATION TECHNOLOGY AND CHIEF INFORMATION OFFICER, UNIVERSITY OF HAWAII

Dr. LASSNER. Good morning, thank you for this opportunity to discuss broadband with you. Although my day job is at the University of Hawaii, really I'm here to talk with you a little bit about Hawaii's progress on broadband, which was one of the major components of the ARRA.

I had the pleasure of chairing Hawaii's Broadband Task Force, which was established by the legislature in 2007, and pulled together a group of representatives from both the public and private sector, including six legislators, members of your staff, as well.

We worked for about 2 years to start charting Hawaii's broadband future, and this really, I think, positioned us well when the stimulus act came along, and also the election of a President who—as I learned on Maui—you would characterize as addicted to his BlackBerry, who really gets it about what this technology is all about.

Hawaii's Broadband Task Force really, I think, came to recognize a couple of things. One is that this is—and it's a pleasure to be here with transportation guys—that arguably broadband is the equivalent for this century of the Federal highway systems in the last century—that this is our infrastructure for the new economy, new forms of healthcare, new forms of education, new forms of Government services. And what the task force also learned is we've had a devastating loss of national leadership as a country—not so much in Hawaii, but as a country—and the United States has really dropped in every kind of ranking one can imagine relating to broadband over the last decade or so.

So, the Hawaii Broadband Task Force really looked for ways that Hawaii could achieve competitiveness internationally, rather than just nationally.

So, along came the stimulus bill, the ARRA, and its focus on broadband. And it really looked at three different kinds of programs.

The first is the implementation of, in fact, your Broadband Data Improvement Act of 2008. Funding was provided through the ARRA to all 50 States to implement that act, which is a great step forward.

The second was a charge to the Federal Communications Commission (FCC) to develop a national broadband strategy, something we haven't had in this country—well, ever, since we've really started recognizing broadband as our infrastructure for the next century.

And third is a set of competitive programs to allocate about $7.2 billion in funds, to implement broadband infrastructure and programs of adoption and supportive applications and uses.

So, this is where the strategic goals of advancing the Nation really conflict with the ARRA's goals of getting money out fast for economic recovery. In a normal world, one would like to collect the data, use the data to prepare a strategy, and then based on that strategy, allocate funds for infrastructure projects and services.

Instead, we had deadlines to put in proposals for infrastructure and services last week, we have no data, and we have no strategies, so everyone's sort of struggling along as best we can, grateful for the $7.2 billion of opportunity, but probably the Nation won't do the best we could if we had the luxury of staging these things a little bit more thoughtfully.

I've been involved with a number of the proposals, and let me say a little bit about what's gone in Hawaii. A number of the proposals have been about connecting what we call our "anchor institutions," and the ARRA has very properly, I think, put an emphasis—as one of the statutory purposes of the broadband provisions—on connecting our Nation's schools, libraries, healthcare facilities, colleges and universities, as really the anchors of our communities that will help drive demand, drive the new kinds of applications that we're seeing in other countries that have leap-frogged the United States, as well as anchored the construction of new broadband infrastructure that will then be extended out to serve our communities throughout the Nation. This has been a bit of a challenge, because the—while the law is very clear about the importance of this, the implementation of the law through the Federal agencies has been a little bit less supportive.

So, let me see something about the proposals that have—that I know of that have come out of the State of Hawaii—and then a little bit about how, perhaps, some of the work by the Federal agencies could be a little more supportive of our efforts, here.

It's important to note, I think, that the broadband stimulus funds are completely awarded on a competitive basis. So, there are no formulas, there's no set allocations. In the case of the broadband mapping, the expectation is that there will be one proposal per State and territory, and the Governor does designate who that designated entity would be. In our case, it's the State department of commerce and consumer affairs, and that proposal went in, as the Governor mentioned, on time, on schedule, under budget, last week. And I think you'll be pleased to know that while some States have sort of outsourced this mapping initiative, we're actually leveraging the expertise of the Pacific Disaster Center on Maui, and their geospatial experience to apply that in the broadband arena, and we have asked for some expertise on broadband data sources, and broadband-specific mapping. We'll also be working with a couple of local contractors to help us with some of the IT and project management.

We have a major proposal in that's a collaboration among the University of Hawaii system, the Hawaii Department of Education, and the Hawaii State Library System. It's ambitious, we intend to—if funded—pull fiber optic connectivity to every public library, every public school, every higher education facility, anywhere in the State, on all islands, and activate this with at least connectivity of a billion bits per second rate—a gigabyte per second—far beyond the definition of broadband in the act, but we think appropriate for our schools and libraries in the next century.

We've also submitted a proposal working with the libraries and the Hawaii Community College System for public computer centers—another aspect of the ARRA. We hope to get about 650, or so, computers out into 70 plus locations around the State to provide access for those who are traditionally underserved.

Very large public safety proposal went in, partnership among, particularly, the neighbor island counties to improve the ability of first responders to serve their communities. We know that at least one of our commercial telecom companies put in a proposal to beef up their infrastructure on the Big Island, and earlier today the university submitted a proposal to the National Science Foundation which decided to set aside some of its ARRA funding for academic research infrastructure that—in a manner that was supportive of both construction of traditional laboratories, as well as upgrading of networks—that, again, are lifeblood of research and innovation during this century. So, that would improve Hawaii's connectivity to the mainland, something that we've really struggled with for a decade or more.

What I want to emphasize is that while these proposals total more than $200 million, they are all under review, or will be under review, within the Federal agencies. We have no idea how many of them will be funded—if any—and we have no idea whether anyone else submitted proposals. Actually, we're quite sure that many other entities have submitted proposals, but the nature of the broadband funding was that anyone could submit a proposal from anywhere, without any oversight or guidance.

So, let me say a little bit about the—some suggestions on how this might be more clear. The Department of Agriculture and Department of Commerce worked together to put out one application form for the broadband infrastructure funds. This turned out to be a good idea in principle that was fairly problematic. Their computer system crashed seriously the day before the proposals were due, giving an indication of the interest. They had to extend their deadlines by a week in order to accommodate the fact that people could not apply on time.

They have used a very unambitious definition of broadband that is absolutely not suitable for the 21st century, we're hopeful they'll set a more aggressive agenda, much as we have within the State of Hawaii.

They've asked for data, down to the census-track level, that's largely unavailable to the entities that might want to submit a proposal, particularly those of us involved in networking schools and libraries and higher education sites.

There was a large requirement for matching funds, coupled with an extremely strict interpretation of what could be used as a match, and far beyond what we're accustomed to in previous programs, including out of the Department of Commerce, and some of the innovative telecom programs that they ran out of that Department in the nineties.

They have a very difficult process for reviewers that will discourage, I think, competent reviewers from looking at these proposals and rating them. In particular, anybody who asks to review is precluded from every submitting another proposal again, on behalf of their employing, or agency, so anybody at the university who wanted to review would not be able to submit a proposal at any time in the future. And they compartmentalized the proposals within the system.

I have attached, and I want to refer to some very thoughtful input provided by the Schools, Health and Libraries Broadband Coalition. This is a national group that's really looked at how future rounds of this program could be improved.

The good news is that there are very thoughtful conversations at the national level, and within Hawaii. We are only through round one of this program—they have announced that there will be rounds two and three, so there is a great opportunity to improve these programs, and they've indicated their willingness to do so. I think all of us in Hawaii who are not very convinced that our applications will make it through the process have a good attitude that we can resubmit in rounds two if we are not successful this time around, and we do appreciate that these departments have had a very difficult task of trying to advance our Nation's broadband capability, while getting dollars on the street and shovels in the ground as quickly as possible.

I'd be glad to answer any questions you may have, thank you.

[The statement follows:]

PREPARED STATEMENT OF DAVID LASSNER

Thank you for this opportunity to share some local perspectives on the impact of the ARRA as it relates to broadband in Hawaii.

HAWAII BROADBAND TASK FORCE

From 2007 through June 2009 I had the pleasure of serving on the Hawaii Broadband Task Force. The Task Force was established by the 2007 Hawaii State Legislature with a mix of public and private sector members appointed by the Speaker of the House and Senate President to provide recommendations on how to advance broadband within the State of Hawaii. I was honored to be elected as chair by my fellow task force members.

When the task force completed our recommendations for the Legislature at the end of 2008, we greeted with great enthusiasm the words of then President-Elect Obama on December 6, 2008: "It is unacceptable that the United States ranks 15th in the world in broadband adoption. Here, in the country that invented the Internet, every child should have the chance to get online, and they'll get that chance when I'm President—because that's how we'll strengthen America's competitiveness in the world."

While there wasn't enough time or money to do everything we had hoped, the Hawaii Broadband Task Force unanimously put forward four key recommendations, summarized as follows.

Broadband Is Vital to Hawaii

Broadband is critical infrastructure for Hawaii's 21st century advancement in education, health, public safety, research and innovation, economic diversification and public services. One national study estimated the positive economic impact of advanced broadband in Hawaii at $578 million per year. The task force recommends that Hawaii establish an aggressive and forward-looking vision that positions the State for global competitiveness.

Driving Broadband Deployment

The task force found that the United States as a whole is dramatically lagging the leaders in the developed world in our broadband capabilities and pricing, and is falling farther behind each year. While Hawaii is doing well on some measures relative to some other parts of the United States, the State also falls to the bottom in many national broadband studies. The task force recommends that the State consolidate all relevant regulatory and permitting responsibilities in a new, one-stop, broadband advancement authority that promotes Hawaii's policy objectives and provides advocacy at all levels of government.

Maximize Hawaii's Connectivity to the World

Hawaii's "lifeline" for broadband to the rest of the world is expensive submarine fiber. While Hawaii was once the crossroads for trans-Pacific telecommunications, all of the new fiber systems built across the Pacific since 2001 have bypassed Hawaii. The task force recommends that Hawaii aggressively promote the landing of new trans-Pacific submarine fiber in Hawaii, including a shared access cable station that reduces barriers to fiber landing in Hawaii.

Stimulate Broadband Adoption and Use

The task force believes supplying advanced broadband at affordable prices is just one side of the equation. The task force recommends that Government lead by example in demonstrating the value of broadband to our citizenry, deploying broadband services to the public, and ensuring that we do not leave behind the economically disadvantaged members of our communities who may be inhibited from full participation in the 21st century.

There is much more detail and data in our full report, which is available at www.hbtf.org and was provided to each Hawaii Legislator and the Governor just before the end of the year.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 AND BROADBAND

It was with great excitement that members of the Hawaii Broadband Task Force greeted the emphasis on Broadband in the American Recovery and Reinvestment Act of 2009, or ARRA. While there are many components of the ARRA that are complementary to the sections on Broadband sections, such as Health IT, I'd like to focus my remarks this morning on Broadband and Hawaii. First, it is useful to summarize three key elements of the ARRA provisions regarding Broadband:

—The ARRA provides funding for a grant program for State-based data collection efforts to implement the Broadband Data Improvement Act of 2008. If successful, this will provide better data than we have ever had before about the actual state of broadband across the Nation.

—The ARRA charged the Federal Communications Commission to create our Nation's first national broadband strategy, with an eye to submitting a plan to Congress early next year.

—The ARRA creates new grant and loan programs in the Department of Commerce and Department of Agriculture to deploy broadband in accord with a clearly defined set of statutory purposes and to provide support for broadband adoption and usage. There will be three rounds of application processes for these awards.

In an orderly approach to these three objectives, we would first collect data, then use that data to craft a strategy, and then use the strategy to drive our investments in broadband infrastructure and services. But the current desperate need to stimulate the economy has driven a set of parallel initiatives in which ARRA proposals for the deployment of broadband infrastructure had to be submitted before we have data and before we have a national strategy. This is unfortunate, but it is also clear that the $7.2 billion provided for broadband infrastructure development through the ARRA is nowhere near enough to bring our Nation back to international competitiveness, much less leadership.

THE IMPORTANCE OF ANCHOR INSTITUTIONS

As the lead technologist for the University of Hawaii System, which provides all public higher education in the State of Hawaii, I was delighted to see the emphasis in the ARRA on connecting anchor institutions such as schools, colleges, universities, libraries, and healthcare providers with broadband. Higher education and K–12 have a long history of working together with State Government in Hawaii to maximize the connectivity among our locations, among our organizations and to the Internet and Internet2 as appropriate.

This spring I had the opportunity to work with a group of colleagues around the country as we tried to communicate to the new Administration the importance of institutions of higher education as broadband anchors in creating our Nation's future. I have attached our report on "Unleashing Waves of Innovation: Transformative Broadband for America's Future" to this written testimony.

The Schools, Health and Libraries Broadband (SHLB) Coalition has also provided written remarks this morning that summarize the importance of connecting all our Nation's anchor institutions, and I have attached their comments to my written testimony as well. It is now well-understood that connecting these institutions can create jobs, increase capacity for providing broadband in more communities, improve the quality of a wide range of public and human services, increase our Nation's competitiveness, create future demand for more advanced broadband services, and provide a safety net for those who might otherwise be left behind.

SOME BROADBAND-RELATED HAWAII PROPOSALS

With the first round of competitive proposals closing only last Thursday, it is impossible to know at this time what was submitted in Round 1 from Hawaii.

However, we do know that several major statewide proposals were submitted already, and many of us talked with one another as we were preparing our applications. I'd like to highlight a few ARRA applications from Hawaii that relate to broadband. This is by no means a complete list, but a sampling of some of the significant proposals. These proposals must all be competitively reviewed and selected before any funds are awarded.

Mapping.—The State Department of Commerce and Consumer Affairs was designated to lead Hawaii's broadband mapping effort. Hawaii's proposed approach is to execute the work locally through an agreement with the University of Hawaii that will apply the geospatial talents within the Maui-based Pacific Disaster Center along with several other local resources. Specialized expertise on broadband data resources will complement our local capabilities in GIS, technology and project management.

Education and Library Infrastructure.—The University of Hawaii, Department of Education and Hawaii State Public Library System collaborated to submit a broadband infrastructure proposal to the Broadband Technology Opportunities Program (BTOP) to implement and/or upgrade fiber optic capability to every public school, every public higher education facility and every public library on all islands and provision connectivity of at least one gigabit per second to every location. This proposal also incubates wireless in schools and libraries and deploys advanced interactive distance learning capabilities in higher education.

Public Computing Centers.—The University of Hawaii and Hawaii State Public Library System submitted a Public Computing Center proposal to the BTOP program to provide public computers and training in every public library and in community college libraries and education centers on all islands.

Public Safety.—A large collaborative proposal was submitted to the BTOP program to provide upgraded broadband communications capabilities for neighbor island counties' first responders.

Provider Infrastructure.—At least one of our local commercial telecom companies submitted a BTOP proposal to improve its middle mile infrastructure on the Big Island.

Academic Research Infrastructure.—The University of Hawaii submitted a proposal to the National Science Foundation's ARRA Academic Research Infrastructure program to address a previously unfunded recommendation in the America COMPETES Act to improve high-speed connectivity between Hawaii research and education community and national fiber optic research networks.

Again, there were likely many more proposals submitted from public and private parties within Hawaii.

SUGGESTIONS FOR IMPROVEMENT IN THE BTOP PROGRAM

There have been many concerns expressed nationally and locally about problems with the first Round of the ARRA Broadband programs. The attached SHLB Coalition remarks provide one of the most comprehensive sets of recommendations for improvement in Rounds two and three. I'd like to provide a few observations and concerns from the teams I worked with over the past few months and that I heard from others in the community who attempted to leverage ARRA broadband funds for Hawaii.

Although the ARRA is quite clear that connecting anchor institutions and improving public safety are primary purposes of the BTOP program, the Notice of Funding Availability (NOFA) was extremely unfriendly to such applications. The single-minded focus of the NOFA on residential services for the unserved and underserved, as uniquely defined in the NOFA, made submitting a proposal for other purposes seem like trying to insert a square peg into a round hole. All applications to connect anchor institutions were forced to pretend they were "middle mile" proposals, a designation more appropriate for commercial providers than anchor institutions.

Among the challenges were:

—The extraordinarily unambitious definition of broadband that perpetuates the last years of failed U.S. policy over the prior 8 years and is even more problematic for anchor institutions. The Hawaii education and library application proposes direct fiber optic connectivity to every public library with speeds several thousand times faster than the NOFA's minimal definition of broadband.

—The use of census tract analyses to determine served and underserved areas was incompatible with the public service factors that drive the placement of anchor institutions in communities.

—The size of the matching funds required was exacerbated by the ineligibility of many of the in-kind contributions that are non-profit organizations are normally eligible to propose to meet their matching requirements.
—The quality of reviewers is extremely suspect given the unusual decision to exclude as eligible anyone who might ever wish to assist with a future proposal for their current or any future employer. Similarly, the decision not to reimburse reviewers for their expenses discourages participation by anyone outside the beltway.
—The decision to require separate applications for proposals to implement broadband infrastructure, public computing centers and/or sustainable broadband adoption programs created significant additional work and interfered with the synergies possible in developing integrated applications to deploy infrastructure and use it to drive adoption.

As the most direct way to address these problems, I strongly support the recommendation of the SHLB Coalition that a separate BTOP program be created in Rounds 2 and 3 that more directly and appropriately addresses the statutory priority on deploying broadband infrastructure to community anchor institutions.

CONCLUSION

Over the past 2 years Hawaii has had substantial public dialog about the importance of broadband to our future and the need for an aggressive long-term vision that we can embrace as the basis of a new statewide strategy. The ARRA has focused similar attention nationally and stimulated new sets of conversations that are desperately needed if we are to reverse our backwards slide as a Nation.

In the haste to roll out programs to stimulate the economy as quickly as possible, the Federal agencies entrusted with broadband stimulus funds appear to have had great difficulty crafting programs supportive of the kinds of transformative investments that Hawaii needs to achieve our own broadband goals. Hopefully, these problems will be addressed in future Rounds of stimulus funding, and more importantly, as the FCC crafts a national broadband strategy as required by the ARRA and we begin to implement it together at the national, State and community levels.

UNLEASHING WAVES OF INNOVATION—TRANSFORMATIVE BROADBAND FOR AMERICA'S FUTURE [1]

EXECUTIVE SUMMARY

A forward-thinking National Broadband Strategy should focus on the transformative power of advanced networks to unleash new waves of innovation, jobs, economic growth, and national competitiveness. Such a strategy should create new tools to deliver healthcare, education, and a low carbon economy. The American Recovery and Reinvestment Act broadband decisions should target high-impact investments with these criteria in mind. They should seek to rebuild U.S. global leadership in networking and in the economic innovations that networking can create. Broadband investments should "pull from the future."

A National Broadband Strategy should begin with America's colleges and universities, community colleges, K–12 schools, public libraries, hospitals, clinics, and the State, regional and national research and education networks that connect them and extend to reach government agencies, agricultural extension sites, and community centers across the Nation. A proven track record of innovating in networking and its applications, of deploying and continually upgrading advanced networks, and of extending those networks to the unserved and underserved across our Nation, lies not with telephone or cable companies, nor with most State governments, but with our Nation's colleges and universities and the State, regional and national research and education networks that this community has built, in many instances forged through partnerships with telecommunications providers and State agencies to achieve these goals.

Stimulus broadband investments should be a strategic down payment on positioning our Nation to continue to be the world leader in economic growth and development, by implementing a more comprehensive and cohesive broadband strategy. That strategy should put innovation first and foremost, including the education of the next generation of innovators, workers, and consumers. Funds should be invested ways that lead to innovations in how we design, build, and use networks, and that lead to ground-breaking new applications—and new jobs—in education,

[1] Version 18: April 18, 2009. For the most current version of this essay, as well as related essays, visit http://www.cra.org/ccc/initiatives.

healthcare, and commerce. We must be able to look back on these investments as having been the stimulus for the next wave of great innovations in the networking world.

To "pull from the future," we advocate (1) investing in our colleges and universities and their partners to launch next-generation infrastructure for research, education and health and (2) investing in State broadband plans that build on, and take leadership from, existing State and regional networks that already connect colleges and universities, community colleges, K–12 schools, libraries, hospitals, clinics, government agencies, agricultural extension sites, and community centers. We should advance and extend these network connections to truly 21st century standards. Investments in State plans should be done in a way that private sector companies can build upon the presence of State and regional networks in unserved and underserved communities to extend connectivity to households and businesses in the future.

AMERICA'S BROADBAND FUTURE AND HIGHER EDUCATION

America's broadband future is to lead internationally in the invention and widespread adoption of transformative applications that can exist only in a world of dramatically improved broadband infrastructure. This is a future that goes far beyond merely making email or web browsing faster or creating new ways to watch television. It is a future in which telemedicine delivers efficient and personalized healthcare to citizens across the land; telepresence saves energy costs in travel and sparks new forms of collaboration and social interaction; eLearning and eScience provide high-quality education to the underserved and allow all citizens to access scientific instruments and data; eGovernment creates a truly engaged and participatory democracy for one and all; and e-commerce allows all communities to participate more fully in the global economy.

We propose an aggressive national broadband strategy that tightly couples innovation in our colleges and universities to a rapid upgrading of our commercial broadband infrastructure. This investment will enable a new generation of innovators and innovations on our campuses, emanating outward to the communities and regions surrounding those campuses, to unserved and underserved populations and regions, and to our Nation at large.

The university community brought us ARPANET in the 1970s, the Internet in the 1980s, the graphical World Wide Web browser in the 1990s, and Google and Facebook in the current decade. These and other transformative innovations from America's colleges and universities have generated countless millions of jobs and countless billions of dollars in economic growth, making America the world leader in information technology. Our colleges and universities continually educate new generations of innovators, workers, and consumers. They also have a proven track record, working in concert with State, regional, and national research and education networks that they created, of reaching unserved and underserved communities with connectivity and content. The potential for America's future is limitless if we support the unique innovative strengths of our colleges and universities, working with other public and private sector partners to expand access to and breadth of broadband services for all of America.

This "pull from the future" strategy will, in a small number of years, generate huge economic stimulus and result in waves of transformative innovation emanating from gigabit per second enabled university faculty, staff, and student innovators, interacting with researchers at corporate and national laboratories, impacting businesses and consumers nationwide.

OUR RECOMMENDATION

We recommend that under the American Recovery and Reinvestment Act, a strong partnership, possibly supported by an inter-agency agreement, be formed between the National Telecommunications and Information Administration (NTIA) and the National Science Foundation (NSF).

Our colleges and universities—along with the State, regional, and national network partners that extend their reach and the reach of the Internet to the unserved and underserved across this Nation—are the right core engine to drive the ARRA broadband strategy, a continuation of the role they have continuously played since the 1980s when, with corporate partners and a visionary NSF investment, they gave birth to the public Internet. The partnership between NSF and NTIA will use the power of broadband to enable a new generation of innovators and innovations, setting the stage to roll out transformative applications and dramatically improved broadband infrastructure to society at large, revolutionizing healthcare, energy efficiency, education, transportation, public safety, and civic engagement, while improving sustainability, accelerating our economy, and creating the jobs of tomorrow—today. Complementary NTIA investments in State broadband plans that build on, and take leadership from, existing State and regional networks will extend 21st century networking to K–12 schools, libraries, hospitals, clinics, government agencies, agricultural extension sites, and community centers, and to unserved and underserved regions.

Jump-starting the national broadband strategy with a comprehensive, coordinated and aggressive investment in our education and healthcare institutions to advance broadband at the high end offers the greatest imaginable leverage—accompanied by a proven track record of utilizing that leverage to increase America's competitiveness. It is exactly the kind of strategic investment imagined in the American Recovery and Reinvestment Act.

Why Use Colleges and Universities To Drive the ARRA Broadband Strategy?

Colleges and Universities Are Innovation Incubators.—They brought us ARPANET in the 1970s, the Internet in the 1980s, the graphical World Wide Web browser in the 1990s, and Google and Facebook in the current decade. These and other transformative innovations from America's colleges and universities have generated countless millions of jobs and countless billions of dollars in economic growth, making America the world leader in information technology. We would not be here today, were it not for these engines of innovation.

College and University Applications Drive Advances in Networking.—These institutions are the heart of demanding, advanced scientific applications. The data-driven experiments, simulations, and analyses of science today require high-speed broadband to move data from remote instruments to the lab and to share massive data sets among scientists globally. Why does this matter? Because these scientists will help us model climate change, discover genetic markers for inherited diseases, and explore the potential of low carbon and renewable energy sources. Colleges and universities are also the source of innovation in America's healthcare system, providing cutting-edge health research, medical education, clinical care, and rural telemedicine. The bandwidth demands of today's advanced scientific applications—tens of gigabits per second—foreshadow similar bandwidth needs in homes and businesses in the future.

Colleges and Universities Have a Four-Decade Proven Track Record in Deploying, Managing, Operating, and Continually Upgrading Advanced Networks.—With seed money from NSF in the 1980s and 1990s, CSNET, NSFNET, and Internet2 provided a critically important stimulus to the early growth of the Internet by bringing academic researchers and students online across the United States, at first in their labs, then in their dorm rooms. The research and education community has experience in deploying, managing, operating, and continually upgrading broadband networks on campuses; advanced optical networks through State and regional consortia; and the highest-performance optical nationwide backbone capabilities.

Colleges and Universities Also Have a Proven Track Record, Working in Concert With State, Regional, and National Research and Education Networks That They Created, of Reaching Unserved and Underserved Communities With Connectivity and Content.—These State, regional, and national research and education networks—typically built in partnership with telecommunications providers and State agencies—today exist in 37 States and reach more than 55,000 community institutions such as community colleges, K–12 schools, libraries, hospitals, clinics, government agencies, agricultural extension sites, and community centers, as well as tribal colleges and universities, Hispanic-serving institutions, historically Black colleges and universities, Alaska Native-serving institutions, and Native Hawaiian-serving institutions.

Colleges and Universities Today Are Preparing Tomorrow's Innovators, Workers, and Consumers—Tomorrow's Doctors, Nurses, Police, Firefighters, Managers, Government Leaders, and Technologists.—Students' experiences with high bandwidth connectivity on their campuses are driving their expectations and the domestic demand for new high-bandwidth applications that will advance America and be exportable to the rest of the advanced world. These experiences also prepare tomorrow's workforce, who must design, deploy, manage, and use a new generation of broadband networks based on 21st century architecture, infrastructure, and technology, as well as invent new waves of technology and applications. Today's students are tomorrow's innovators, workers, and consumers. Students must "live in the future" in order to bring this future to our communities across the Nation.

Colleges and Universities Serve as Neutral Territory for Open, Non-Proprietary, Unclassified Advances, Fostering Close Partnerships With and Among Industry and Government and Across All Sectors Ranging From Education to Healthcare.—America crucially needs this level of open non-proprietary synergy as it strives to rapidly unleash and support next-generation networking to achieve transformations in economic competitiveness, environmental sustainability and cost-effective healthcare. Universities have a track record of building systems software that lowers the barrier-to-entry for creating new applications that leverage the available bandwidth—systems software that includes the network-capable operating systems of the 1980s, the middleware and grid technologies of the 1990s, and the wide-area network services of the most recent decade. Universities also have a track record of partnership with industry and with corporate research organizations, driving new discoveries from concepts to products and services.

Colleges and Universities Are Catalysts for Local, Regional, and National Economic Growth.—They are the hubs for local communities: culture, information, training, medical care, employment, and social interaction. This is especially true for rural and underserved areas. Outreach from colleges and universities to surrounding communities, counties, and States extends their reach and impact.

In short, America's colleges and universities and their partners have the knowledge, the experience, the foundation network infrastructure, and the track record to jump-start a national broadband vision and strategy, leveraging Federal ARRA investments in ways that will spread broadband, create jobs, improve health, push the frontiers of science, and educate young people. Achieving this vision requires revolutionary advances in America's networking capability, and rapid but comprehensive and cohesive deployment of broadband capabilities into every geographic part of our Nation to serve research and education, healthcare, energy efficiency, education, transportation, public safety, civic engagement, and broad economic development.

NEEDED: JOINT NTIA–NSF LEADERSHIP

The Internet is a globe-altering technology resulting from a decades-long collective effort by the Federal Government, the higher education community, and the corporate sector, rapidly joined by international partners as its importance emerged. ARRA recognizes the value of the Internet to every American by including $7.2 billion for universal broadband, with $2.5 billion to be administered by Agriculture's Rural Utility Service (RUS) program, and $4.7 billion by the National Telecommunication and Information Administration (NTIA) within the Department of Commerce.

We recommend that under the ARRA, a strong partnership, possibly supported by an interagency agreement, be formed between the NTIA and the National Science Foundation (NSF). The NSF has played and will continue to play the role of supporting the development, deployment, and utilization of the most advanced networking capabilities and network applications. NSF's constituency is America's colleges and universities, supported by their regional, State, and national networking partners; and these higher education institutions have helped leverage NSF investments by extending innovative networks and applications to the full spectrum of education, community, and healthcare institutions. NTIA can leverage NSF's direct reach into academia and its experience and the successes it has enabled for communities across America.

Universities are small cities, and therefore advances in university environments where the future will be rapidly prototyped are naturally stress-tested and can be rapidly transitioned. A set of coordinated investments that begin with research universities can expand to engage thousands of additional college and university campuses across the Nation as anchor partners in restoring the Nation's leadership in broadband deployment, utilization, and innovation for all Americans.

Similarly, community colleges, tribal colleges, and other minority-serving institutions are often centers of community cultural life, engines of economic innovation and entrepreneurship, and sources of the next generation of talented employees, employers, leaders and entrepreneurs. Providing these centers of community life with leading-edge networks, tools, and the connections to higher education research and education throughout the Nation will accelerate economic growth and job creation in rural and underserved communities throughout the United States.

As part of the initiative, colleges, universities and their partners will be expected to reach out to their surrounding communities, partnering with local governments or private sector carriers, to expand high-speed connectivity into the neighborhoods and community surrounding campuses. These "concentrations of advanced broadband and innovation" will serve as the catalyst for driving demand and leading to the next step in a national broadband strategy—expanding advanced high-speed broadband to every home, school, and business in the Nation.

There is a long and highly successful tradition of major research universities partnering with smaller institutions in unserved and underserved regions of the Nation to provide advanced connectivity, making these smaller institutions and regions more competitive. These efforts will continue, through the GigaPoPs (Gigabit-per-second Points of Presence) and RONs (Regional Optical Networks) and State and regional networks that are the heart of these regional initiatives. Universities will require their regional and national networks to partner with efforts (Federal and State) to reach out and connect their medical facilities with rural and underserved populations. They will be expected to partner with their States to connect, upgrade and extend networks connecting K–12 schools, libraries, public safety institutions, agriculture extension sites, government buildings, elder-care centers and the like.

Marrying NSF's higher education leadership with NTIA's telecommunications and policy leadership is precisely what is necessary to ensure that this generation of Americans, and future generations, will continue to compete and to lead in the global economy.

OPERATIONAL RECOMMENDATIONS

There are two potentially complementary streams of funding: funding flowing through NSF to support network and applications research, creating the next generation of life-changing computing and communications innovations for all Americans; and funding flowing through NTIA that will extend today's—and tomorrow's—innovations broadly across our Nation to colleges, universities, minority-serving institutions and the communities that these institutions serve. We propose to coordinate these streams, thereby commingling innovation and access, accelerating the pace of change, and creating new jobs and economic prosperity within reach of any motivated young student or adult though our remarkable system of higher education. To do this will require coordination between NSF research programs and the NTIA ARRA broadband initiative. We recommend the following:

—Creation of a joint network advisory group—possibly supported by a formal inter-agency agreement—to give coherent direction to efforts at NTIA and NSF, drawing on experts recommended by both agencies.

—NTIA grants in this portfolio, and recommend in this white paper, should be selected through a peer-reviewed process, judged by experts in networking and advanced applications.

—State-led grants should build on, and take leadership from, existing State and regional networks that already connect colleges and universities, community colleges, K–12 schools, libraries, hospitals, clinics, agricultural extension sites, government agencies, and community centers—advancing and extending those network connections to truly 21st century standards. Investments in these State plans should be done in a way that private sector companies can build upon them to extend connectivity to households in the future.

—Proposals with close linkage and collaboration with national labs and corporate labs should be encouraged.

—Similarly, proposals involving multiple universities, as well as one or more regional networks and national networks, will be viewed favorably. These multilateral efforts will create network tools and applications that are interoperable and scalable.

THE BIGGER PICTURE AND THE PAYOFF

The revolution in broadband telecommunications networks and the accelerated rate of this growth internationally, along with the global explosion in knowledge and ready access to powerful research and communications tools, are creating unprecedented changes in the research and education community, along with profound changes in business, commerce, agriculture, government, and healthcare. New jobs, new industries, an explosion in entrepreneurship, access to quality heath care, new modes of community building, increased access to timely information and global markets, and the ability of an extended community to interact closely across space and time: all are dividends of this revolution in broadband networks and information technology.

Throughout the United States, those colleges and universities—and the communities they serve—that have access to this global fabric of interconnected and interoperable broadband networks have created new forms of education and research, good jobs, medical and health information and care, communication, and the chance to participate in the affairs of the broader society. This global fabric brings to many the promise of inclusion, opportunity, wealth, and better health; for others, particularly among unserved or underserved regions and populations, access to these opportunities has been, at best, limited, and more often, non-existent. Until now.

The big payoff to the economy and society of the investments proposed here will be the societal transformations described throughout this document. But the immediate stimulus to the economy in the form of jobs will be significant in the next 12–

18 months, and will help to stabilize the country's rapid decline in high-tech employment. Upgrades to campus connectivity could be accomplished within the first 12 months, with the bulk of the dollars going to telecommunications and cable suppliers, construction/installation companies, and network equipment manufacturers. Similar upgrades to broadband networks will occur within the next 18 months, with additional employment as a result. The Information Technology and Innovation Foundation conducted a study of the job-creating effects of new investments in broadband, using standard economic techniques for estimating direct, indirect and induced, and "network effect" job categories. Based upon the ITIF's methodology, an investment of approximately $1 billion in the higher education components of the overall program outlined in this white paper would result in the first year in 5,920 direct jobs, 15,421 indirect and induced jobs, and 24,783 jobs from the "network effect," for a total of 46,124 new or saved jobs, most in the private sector and many in small businesses.

Transformative innovations from America's colleges and universities have generated countless millions of jobs and countless billions of dollars in economic growth, making America the world leader in information technology. Our colleges and universities continually educate new generations of innovators, workers, and consumers. They also have a proven track record, working in concert with State, regional, and national research and education networks that they created, of reaching unserved and underserved communities with connectivity and content.

Over the past several decades the higher education community has accelerated many generations of networking, each a breathtaking advance that could not be deployed in the commercial sector because of the inherent risk. In building these advanced networks, higher education has always worked collaboratively with government and with the corporate community—with telecommunications companies and others with a stake in advanced technology and with significant research arms of their own—to create infrastructures that can quickly be hardened and deployed broadly. The broadband components of the American Recovery and Reinvestment Act hold the potential to bring not just today's Internet technology, but tomorrow's, to all Americans. The new investments in basic science will enable new advanced applications to ride on that next-generation infrastructure.

The potential for America's future is limitless if we support the unique innovative strengths of our colleges and universities, working with other public and private sector partners to expand access to and breadth of broadband services for all of America. The robust advanced network infrastructure put into place by the research and education community and its partners is ready to serve as the foundation and springboard for the Nation's broadband strategy under the ARRA. We have a cohesive and comprehensive plan and the engine is ready. All that is needed is the fuel to drive it. Our institutions of higher education are the right core engine to launch the ARRA broadband strategy.

The plan described in this white paper has been drafted by Ed Lazowska (University of Washington and the Computing Community Consortium), Larry Smarr (Calit2 and UCSD), Peter Lee (Carnegie Mellon University and the Computing Research Association), Chip Elliott (BBN Technologies and the GENI Project Office), Tom West (National LambdaRail), David Lassner (University of Hawaii), Doug Van Houweling (Internet2), Gary Bachula (Internet2), Louis Fox (WICHE), and Tim Lance (NYSERNet), in consultation with many others.

This plan has been formally endorsed by Internet2, National LambdaRail, the Computing Community Consortium, the Computing Research Association, EDUCAUSE, The Quilt, StateNets, the EPSCoR/IDeA Foundation, the Western Interstate Commission for Higher Education, the Southeastern Universities Research Association, and multiple state boards of education and systems of higher education. Collectively, these organizations represent all 50 states, over 2,200 colleges and universities, 30 state and regional networks, 44 corporations, and international reach to networks in 90 countries. State and regional networks connect over 60,000 institutions including K–12 schools, community colleges, colleges and universities, libraries, hospitals, clinics, medical research centers, agricultural extension sites, museums, and community and performing arts centers.

An earlier version of this white paper, titled "Infrastructure for eScience and eLearning in Higher Education," is available at http://www.cra.org/ccc/initiatives, along with essays on a number of related topics, including "Information Technology R&D and U.S. Innovation," "Innovation in Networking," "Big-Data Computing," and "Security is Not a Commodity: The Road Forward for Cybersecurity Research."

PREPARED STATEMENT OF THE SCHOOLS, HEALTH AND LIBRARIES BROADBAND COALITION

The Schools, Health and Libraries Broadband (SHLB) Coalition[1] respectfully submits this statement for the Hearing on "Stimulating Hawaii's Economy: Impact of the American Recovery and Reinvestment Act of 2009." The mission of the Schools, Health and Libraries Broadband Coalition is to improve the broadband capabilities of schools, libraries and healthcare providers so that they can enhance the quality and availability of the essential services they provide to the public and serve underserved and unserved populations more effectively.

Building High-Capacity Broadband to Community Anchor Institutions Is Critically Important to America's Education, Health and Learning

The Internet has become a fundamental cornerstone of modern education, learning, healthcare delivery, economic growth, social interaction, job training, government services, and the dissemination of information and free speech. High-capacity broadband is the key infrastructure that K–12 schools, universities and colleges, libraries, hospitals, clinics and other healthcare providers need to provide 21st century education, information and health services. These institutions serve the most vulnerable segments of our population—rural, low-income, disabled, elderly consumers, students, immigrants and many others.

The SHLB Coalition is dedicated to ensuring that each and every school (including K–12 schools, colleges and universities), library and healthcare provider has robust, affordable, high-capacity, broadband connections. These anchor institutions use broadband services to provide essential services to millions of people every day. Providing high-capacity broadband to these institutions is a way to bring the benefits of broadband to the general public. For example,

—Healthcare providers can use high-capacity broadband to exchange detailed medical records, provide out-patient medical monitoring (telemedicine), and many other health-related services. Broadband capabilities can enhance the doctor-patient relationship, provide immediate access to health information, reduce the costs of healthcare, and save lives.

—Libraries provide Internet access at no charge to millions of people every day, including those who cannot afford to purchase computers or broadband access at home and others who need assistance, training or education about on-line services. Library patrons use public access computers to do homework, apply for jobs and e-government benefits, conduct research, and engage in all that the Internet has to offer.

—Schools use broadband connections to provide distance learning and offer multimedia teaching programs that address many learning styles and capabilities. In the 21st century, educators and students require more access to information, people, tools and resources. Broadband connections are redefining the education model for administrators, teachers, students and parents alike. "Networked education" makes education personalized, equitable, relevant and cost-efficient, enabling improved 21st century outcomes for students.

Furthermore, building broadband to these institutions promotes jobs and economic recovery. Whether it is laying fiber optic cable, constructing antennas to provide high-bandwidth wireless capabilities, stimulating the development of content rich applications, or providing access to e-learning, e-health, or e-jobs, these investments in our future will provide thousands of American workers with high-tech employment. Building broadband networks to these anchor institutions will have the additional benefit of promoting economic growth in the region. The E-rate program has helped many schools and libraries obtain basic broadband connections to the Internet. The BTOP program can complement the E-rate program by funding the upfront deployment costs of high-capacity broadband.

The ARRA Gives a High Priority To Providing Broadband To Anchor Institutions, but Unfortunately, the NOFA Does Not

The SHLB Coalition is quite pleased that the American Recovery and Reinvestment Act (ARRA) specifically prioritizes broadband service for anchor institutions. Section 6001(b) states that one of the five purposes of the Broadband Technologies Opportunities Program is to:

(3) provide broadband education, awareness, training, access, equipment, and support to—

[1] The Schools, Health and Libraries Broadband Coalition consists of 48 members representing the K–12 schools, community colleges, universities, hospitals, healthcare providers, libraries and private companies. A complete list of members is contained at the end of this document.

(A) schools, libraries, medical and healthcare providers, community colleges and other institutions of higher education, and other community support organizations and entities to facilitate greater use of broadband service by or through these organizations;

This statutory language correctly encourages the construction of high-capacity broadband facilities to promote learning, healthcare and economic growth across America.

Unfortunately, the grant rules issued in the Notice of Funds Availability (NOFA) on July 1 fall far short of the goal set forth in the legislation. By focusing almost exclusively on serving residential consumers, the application process does not give priority to the construction of high-capacity broadband to these critical institutions as is called for by the statutory language. In fact, it is almost impossible for an anchor institution to file an application that satisfies all of the requirements as now set forth in the NOFA. The grant process has discouraged many schools, libraries and healthcare entities from applying for funding, and raised concern that many worthwhile broadband funding projects will not be funded.

To be clear, the SHLB Coalition supports the objective of getting broadband to every residential and business consumer. We respectfully suggest, however, that the NOFA may "put the cart before the horse." It will do little good to build additional "Last Mile" broadband networks if there is no high capacity "pipe" that can carry the collective traffic from all the residential consumers back to the Internet backbone. There is a severe shortage of high-capacity broadband facilities in operation today, and the lack of these high-capacity links to the Internet (often called "backhaul" facilities) creates a barrier to the widespread availability of greater broadband to the home. Building bigger broadband "pipes" into every anchor institution can help to solve the backhaul problem. High-capacity broadband connections to anchor institutions can serve as "stepping stones" or "jumping off" points that make it easier to provide Last Mile connections in the future. The SHLB Coalition strongly supports the notion that high-capacity broadband facilities should be open to interconnection by Last Mile providers so that residential consumers will ultimately benefit from the construction of the high-capacity broadband network. But requiring all applicants to serve residential service at the front end of the process simply discourages the build-out of facilities to anchor institutions.

Furthermore, there is simply not enough funding available to build Last Mile broadband facilities in every community. Focusing efforts on funding Last Mile connectivity, while beneficial for those communities that receive funding, will inevitably mean that many communities obtain no benefit from this broadband stimulus programs. We suggest that a much more efficient approach (creating more "bang for the buck") is to build high-capacity broadband networks to every anchor institution. Our analysis suggests that there is close to enough funding to build such a broadband "pipe" to every single hospital, library and school in the United States. In other words, every single community in the country could obtain the benefit of the BTOP stimulus program. This would provide a significant boost to economic development across the entire country.

The NOFA Should Be Changed To Give Greater Priority To Providing Broadband Funding for Community Anchor Institutions

NTIA and RUS have indicated that they plan to make changes to the application rules for the second and third rounds of funding. The SHLB Coalition respectfully presents its analysis of the problems with the current rules and suggests the following recommendations for changes to the rules for the second and third rounds of funding so that anchor institutions receive the priority that is set forth in the statutory language:

The NOFA should be revised to establish a separate application category for networks dedicated to serving anchor institutions as a way to give greater priority to providing anchor institutions.

The NOFA rules were not designed to accommodate the broadband networks dedicated to serve anchor institutions. The NOFA rules for Infrastructure grants create two different categories of applicants: "Last Mile" applicants and "Middle Mile" applicants. Both of these categories are designed for networks providing service to residential consumers. Anchor institutions, however, do not directly provide broadband service residential consumers and usually obtain their own dedicated broadband networks. As a result, anchor institution networks found it difficult or sometimes impossible even to comply with the application requirements.

Libraries, schools and healthcare institutions generally try to obtain their own dedicated broadband networks because that is the most efficient and least costly way to obtain broadband connectivity. These networks, for instance, allow individual schools, libraries and hospitals both to share (non-Internet) information among themselves in addition connecting onto the public Internet. These types of networks provide efficiencies, cost savings, reduced maintenance expenses, upgradable capacity specifically for high-capacity entities.

Attached to this statement are two network diagrams of anchor institution networks in different States. As can be seen, a high-capacity broadband connection connects each individual branch location to a central hub. The hub then uses an even higher capacity connection to the Internet. These networks do not provide service directly to residential consumers. (However, by allowing for interconnection with residential networks, community anchor institution networks can help facilitate greater residential access.)

Unfortunately, the NOFA rules for Infrastructure projects do not contemplate this type of anchor institution network. "Last Mile" networks are those that provide service to residential consumers. "Middle Mile" projects are defined as those that do not serve end users/consumers and connect a limited number of point-to-point locations. Anchor institution networks, however, include elements of both categories. They include both last mile facilities directly connecting end users (the school, library or healthcare provider) and they contain high-capacity point-to-point facilities that connect to the Internet backbone.

The NOFA directs anchor institutions to apply under the Middle Mile category. Many of the BTOP application questions for Middle Mile applicants, however, are designed to elicit information concerning the services they will provide to residential and business consumers. The questions asked of "Middle Mile" applicants are inherently difficult or impossible for an anchor institution to answer. For instance, question 14 asks for the demographic information of the households and businesses of the contiguous census block traversed by each Middle Mile "span" and for each "last mile service area" associated with the Middle Mile project. Question 18 asks Middle Mile applicants to identify the Last Mile "service providers with whom the proposed network proposes to interconnect," and "the projected end users that will be served by these proposed connections." Since anchor institution networks do not serve residences and businesses, these questions are simply not applicable. Unfortunately, the BTOP Application Guidelines state specifically that this information "must be presented" or "the Application is deemed incomplete." This confusion is quite discouraging, especially considering that the statutory language gives clear priority to building broadband networks serving anchor institutions.

The SHLB Coalition respectfully suggests that NTIA can rectify this situation and carry out the legislative intent by creating a separate category specifically for anchor institution networks. Designing a category of questions that are more applicable to these networks will encourage more anchor institutions to apply for funding. Applicants who sat on the sidelines in the first round will be able to consider applying in the next round, which would improve both the number and the overall quality of applications that are submitted and increase the opportunities for anchor institutions to receive broadband funding.

In creating this new category, NTIA should design criteria for evaluating applications from anchor institutions that give greater priority to applications proposing high-capacity broadband networks to serve the needs of libraries, healthcare providers and schools. As discussed above, schools, healthcare providers and libraries provide essential services to millions of people. Furthermore, they are often the "hub" of their communities, and providing high-capacity broadband to them will enrich the economic and social environment around them. Therefore, NTIA should design criteria for evaluating applications from these entities that reward those applications that offer the greatest benefits to the general population. For instance, NTIA should give greater weight to anchor institution network applications that propose to provide a significant increase in the level of educational, medical and learning services to residents and businesses in the community. To be truly "stimulative", NTIA should encourage applicants both to build broadband and to demonstrate the beneficial uses of that broadband capability for the population they serve.

Recommendation #1.—NTIA should create a separate category for networks dedicated to serving anchor institutions because these networks do not fit within either the Last Mile or Middle Mile categories. NTIA should give greater priority to funding anchor institutions and encourage anchor institution applicants to demonstrate how the additional broadband will benefit their constituents or the community at large.

The NOFA must give greater weight to broadband applications that seek to connect community anchor institutions with truly high-capacity, "future-proof" broadband networks.

The NOFA does not recognize that community anchor institutions often require very high-capacity bandwidth. Anchor institutions need enough capacity to handle multiple computers at the same time. Yet the NOFA sets forth a very low-speed and insufficient definition of broadband (768 kilobits per second download). This anemic definition does not send the right signals to applicants about the need to build high-capacity broadband networks needed for the future.

The SHLB Coalition firmly believes that healthcare providers, libraries and schools need affordable access to "future-proof" high-capacity, broadband technologies, especially in rural and low-income areas. Federal policy should encourage the deployment of high-capacity broadband networks that can provide a minimum of 100 Mbps to small entities and 1 Gbps or more to larger entities. Moreover, these broadband networks should be easily upgradable to meet the enormous growth in demand that is expected from high-definition video, distance learning, telemedicine, job-training and other societally-beneficial applications.

We recognize that the definition of broadband at 768 Kbps is a floor and that the NOFA encourages applicants to offer greater capacity than this minimum amount. Nevertheless, for anchor institutions, this minimum threshold is not "in the ballpark". Small rural libraries, schools, and health clinics find that a T1 (1.5 Mbps) is a minimum necessity, and even this level of capacity is often inadequate. We respectfully suggest that the BTOP program should not be used to fund incremental increases in broadband connectivity. Rather, the BTOP program should build for the future. Given the size of the Federal deficit, the BTOP program is not likely to provide an ongoing source of funding beyond the life of this particular program. Rather than invest in interim technologies that will be overcome by demand in a short period of time, the BTOP program should invest once in long-lasting facilities that are scalable to serve the Nation's broadband needs for decades. In fact, the statutory language specifically says that funds should only be awarded to projects that would not have been built without Federal funding, which is an indication that Congress sought to fund high-capacity broadband projects that are too expensive to build from existing revenues. The legislation also emphasizes the need to create jobs by building new infrastructure, and to restore America's leadership in broadband capabilities. Using BTOP funds to allow entities simply to order additional broadband circuits using existing technologies or build incremental networks that barely meet the 768 kbps threshold would not be consistent with the purposes of creating the BTOP program and the needs of America's economy and consumers.

Thus, the SHLB Coalition respectfully suggests that NTIA adopt a definition of broadband for anchor institutions that is more consistent with their needs and that establishes a goal of delivering 100 Mbps, scalable up to 1 Gbps, to every one of these organizations.

Recommendation #2.—NTIA should create a separate definition of high-capacity broadband for anchor institutions with the goal of delivering 100 Mbps to 1 Gbps to these organizations.

The NOFA must allow funding for all anchor institutions, not just those in unserved and underserved areas.

The NOFA prevents many deserving anchor institutions from applying for funding by applying limits on anchor institutions that are not contained in the statutory language. For instance, the NOFA says that all applicants must provide service to "unserved" or "underserved" areas. While this is an understandable requirement for residential service, these limitations should not be applied to community anchor institutions.

The statutory language in section 6001(b)(3) of the ARRA does not apply the "unserved"/"underserved" restrictions to broadband services to anchor institutions. Congress wisely chose not to employ this "unserved"/"underserved" restriction to healthcare providers, educational institutions and libraries because it recognized that these critical institutions provide essential services to the community no matter where they are located (whether urban, suburban or rural).

The limitation to "unserved/underserved" areas is even more limiting because of the way these terms are defined. The rules measure whether an area is unserved/underserved based on whether or not residential consumers have access to 768 kbps bandwidth (download). But the bandwidth available to residential consumers should be irrelevant to whether the anchor institution can obtain broadband funding. If a hospital needs broadband funding for a fiber connection to improve the quality of the healthcare it provides to patients, it should be able to do so. If a community college needs broadband funding for a 100 Mbps connection to provide job training instruction it should be able to do so. If a library needs broadband funding for a wireless connection that will allow its patrons to obtain unemployment benefits or apply for jobs, it should be able to do so. Under the current rules, however, if this hospital, school or library happens to be located in area where the residences can purchase broadband service, the hospital, school or library is not allowed to receive funding. The eligibility of these institutions to receive broadband funding should not be dictated by the definitions and geographic boundaries that might apply to households. Even in areas where residential consumers may have broadband as currently defined by NTIA, the library, school or healthcare provider may need much greater bandwidth to support multiple users and more complex applications. In other words, all libraries, healthcare providers and schools that can demonstrate a lack of broadband capabilities or a need for greater broadband to serve their mission should be eligible to apply for funding.

Further, the 768 kbps definition is so slow that almost every area of the country has that level of service from cellular service alone. Many anchor institution applicants have found that there are extremely few unserved/underserved geographic areas in their States, and some States may have no unserved/underserved areas at all. Thus, this narrow definition of broadband makes it difficult or impossible for many deserving anchor institutions to acquire funding to improve their broadband connections.

Recommendation #3.—All community anchor institutions including those in urban, suburban and rural areas should be eligible to apply for broadband funds, because of the essential services they provide to the public. NTIA should not limit funding for anchor institutions to those institutions that are in unserved/underserved areas.

The NOFA should be changed to award additional "points" to those Last Mile and Middle Mile applicants that connect anchor institutions.

In addition to creating a separate category for anchor institution networks, Last Mile and Middle Mile applicants should also be given greater incentives to serve anchor institutions in their applications. There may be some areas of the country where it is not feasible to construct or provide a network dedicated to anchor institutions. In these areas, anchor institutions will need to acquire broadband service from a Last Mile or Middle Mile provider. The criteria for scoring Last Mile and Middle applicants should be adjusted to give greater weight to Last Mile and Middle Mile applicants that serve anchor institutions.

We recognize that NTIA has encouraged applicants in these categories to include service to anchor institutions in their applications. Unfortunately, however, the NOFA does not give Last Mile and Middle Mile applicants enough "points" for serving anchor institutions. The BIP process only gives applicants a maximum of five additional "points" for offering discounted rates to all "critical community facilities." (NOFA, Section VII.A.1.c.iv.) The BTOP process does not identify any particular "points" for service to these entities. We do not believe that this system gives anchor institutions the priority that they deserve under the statutory language.

In order to ensure that service providers have sufficient incentives to serve anchor institutions, we suggest that the next NOFA should increase the amount of "points" available for applications that seek to connect anchor institutions. Furthermore, the amount of points awarded to an application should increase the more bandwidth that the applicant proposes to offer the anchor institution.

Recommendation #4.—NTIA should award more "points" for Last Mile and Middle Mile applications that propose to serve anchor institutions with high-capacity broadband. Furthermore, more points should be awarded for higher-bandwidth services to these institutions.

The NOFA does not make enough funding available for expanding public computer center capacity.

The ARRA says that "not less than $200,000,000 shall be available for competitive grants for expanding public computer center capacity, including at community colleges and public libraries." The NOFA makes only $50 million available in this round of funding. Not only is this less than one-third of the minimum amount directed by the statute, this amount does not reflect the enormous need for libraries, community colleges and other public computer centers for greater funding. Especially in these challenging economic times, the general public has a great need for expanded public access to the Internet to search for and apply for jobs, to apply for e-government benefits, to take job training classes, and to engage in distance learning. Furthermore, expanding public computer center capacity works hand-in-hand with greater broadband deployment—increasing the capacity of larger public computer centers will drive the deployment of greater broadband.

Recommendation #5.—NTIA should allocate more than the minimum amount of funding for projects to expand public computer center capacity.

The application process is cumbersome and difficult.

Many applicants for funding have encountered enormous obstacles in simply submitting an application. We appreciate the complexity of this process and we know that the government agencies have worked extremely hard to make the application process as smooth as possible. Nevertheless, the application process could be significantly improved in subsequent rounds of funding. The following lists some of our recommendations to improve the mechanics of the application process:

—Eliminate the "infection rule." The government has declared that if there is one flaw in an application, the entire application will be rejected. This practice encourages applicants to sub-divide their applications into multiple smaller units to increase the odds that some of their proposals are adopted. The practical impact is to increase the raw numbers of applicants and to discourage large aggregated applications. It also increases the workload on both applicants and on the government reviewers.

—The rules discuss the "Middle Mile span" as if the applicant were constructing one span; in fact, most anchor institution networks include multiple spans to each library, healthcare building or school.

—The rules unnecessarily require "Middle Mile" applicants to provide details of the census blocks traversed by each "span", even if the "span" does not terminate in the census block and provides no benefit to the residents of the census block.

—The process allows Middle Mile applicants to apply for funding as long as they serve one area that is unserved/underserved. Thus a Middle Mile applicant may serve some "served" areas as well as unserved/underserved areas. However, the application process requires "Middle Mile" applicants to label each funded service area as "unserved" or "underserved". Unlike the BIP process, there is currently no option to identify a service area as served.

—The rules require Middle Mile applicants to identify the "Last Mile" service providers that will interconnect with the Middle Mile facilities. But network providers that are dedicated to anchor institutions do not know in advance what "Last Mile" providers that will interconnect with their facilities.

—The rules make it difficult for an applicant to determine whether or not a particular geographic region is unserved/underserved. Most of this information is held by the broadband service providers, but this information is generally not made available to the public. Furthermore, the rules allow a service provider to challenge an application with evidence that an area is "served", and the applicant may have no opportunity to review or contest that information. NTIA should establish a process to make broadband deployment information available to the public; and applicants should be able to review and challenge data submitted by the industry that seeks to eliminate a proposed application.

—The definitions of "proposed funded service area" and "service area" are quite confusing, particularly as they apply to networks that are dedicated to serving on anchor institutions and not the surrounding community.

—The online application process has very low page limits for some information, such as network design and budget information. Some applicants had 35–40 pages worth of material that was requested by the NOFA, but the on-line system limited the page length to 4 or 5 pages.

—There remain several open questions concerning the compatibility of these funding programs and the E-rate. These two programs should be able to work hand-in-hand: the BTOP program provides funding for the up-front installation costs, while the E-rate supports ongoing monthly expenses. However, some of the BTOP processes (such as encouraging schools and libraries to contract with vendors prior to receiving funding, and encouraging re-selling capacity to provide residential service) may not be fully consistent with the E-rate processes. Some schools and libraries are reluctant to apply for BTOP funding for fear of losing their E-rate support. Additional clarification of these issues would help schools and libraries benefit from the BTOP program.

Recommendation #6.—NTIA should simplify the application process and design rules that are more consistent with networks that are dedicated to serve anchor institutions as set forth above.

Conclusion: NTIA Should Give Greater Priority To Building High-Capacity Networks To Serve Anchor Institutions in the Second and Third Rounds of Funding

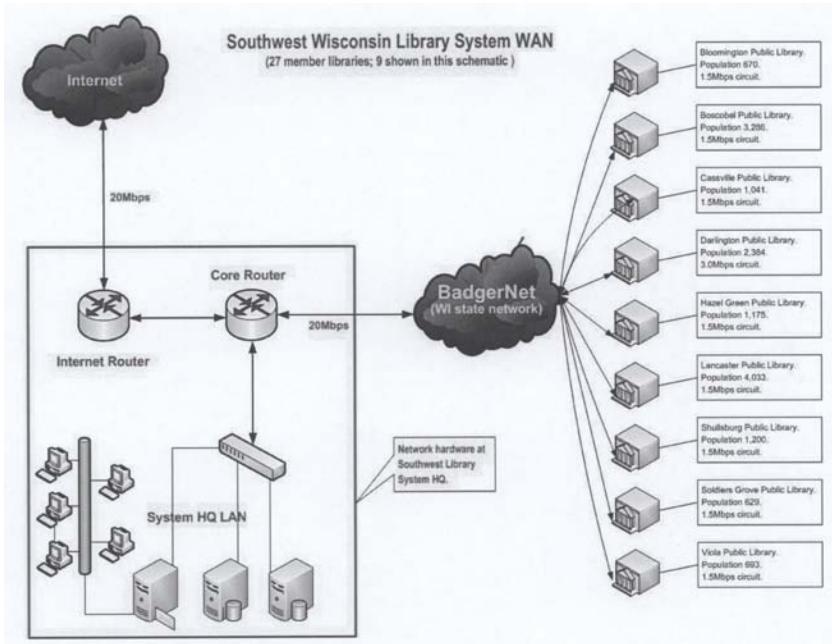
In conclusion, funding anchor institution networks will bring very high-capacity, future-proof facilities into every community in the country. Funding such capacity will have enormous economic and social benefits for the entire Nation. We appreciate the opportunity to work with the Committee to address these issues as you continue your oversight over the American Recovery and Reinvestment Act.

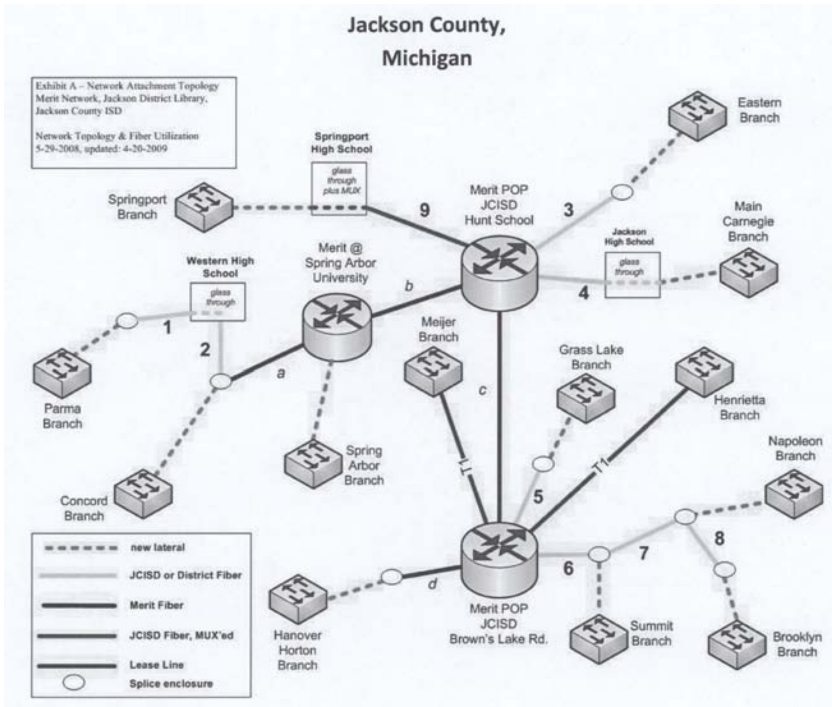
APPENDIX A.—MEMBERS OF THE SCHOOLS, HEALTH AND LIBRARIES BROADBAND COALITION

(48 MEMBERS—UPDATED AS OF AUGUST 21, 2009)

Sean McLaughlin, Access Humboldt; George Boggs, American Association of Community Colleges; Mary Alice Baish, American Association of Law Libraries; Kristin Welsh, American Hospital Association; Lynne Bradley, American Library Association; Prue Adler, Association of Research Libraries (ARL); Shmuel Feld, Benton Foundation; Jill Nishi, Bill & Melinda Gates Foundation; Malkia Cyril, Center for Media Justice; Dee Davis, Center for Rural Strategies; Susan McVey, Chief Officers of State Library Agencies; Don Means, Community Telestructure Initiative; Keith Krueger, Consortium for School Networking; Joel Kelsey, Consumer's Union; Gene Wilhoit, Council of Chief State School Officers; Lillian Kellogg, Education Networks of America; Wendy Wigen, EDUCAUSE; Ben Scott, Free Press; H. Stephen Lieber, Healthcare Information and Management Systems Society (HIMSS); Rick Whitt, Google Inc.; Hilary Goldmann, International Society for Technology in Education; Marianne Chitwood, Indiana's Higher Education Network (I-Light); Chris Mullins, Instructional Telecommunications Council; Gary Bachula, Internet2; Bob Handell, KeyOn Communications; Mike Phillips, Lonestar Education and Research Network; Amalia Deloney, Main Street Project; Andrew J. Schwartzman, Media Access Project; Beth McConnell, Media and Democracy Coalition; Todd Wolfson, Media Mobilizing Project; Don Welch, Merit Network, Inc.; Paula Boyd, Microsoft; Helen DiMichiel, National Alliance for Media, Arts and Culture; Alex Nogales, National Hispanic Media Coalition; Tom West, National Lambda Rail (NLR); Steve Solomon, National Medical Wireless Broadband Alliance, LLC.; Alan Morgan, National Rural Health Association; Michael Calabrese, New America Foundation; Tim Lance, New York State Education and Research Network (NYSERNet); Joe Freddoso, North Carolina Research and Education Network; George Loftus, Ocean State Higher Education & Administrative Network (OSHEAN); Harold Feld, Public Knowledge; Jen Leasure, The Quilt; Brian Quigley, Sunesys; Deanne Cuellar, Texas Media Empowerment Project; John Reynolds, 21st Century Libraries; Susan Benton, Urban Libraries Council; Amina Fazlullah, U.S. Public Interest Research Group (USPIRG).

APPENDIX B.—NETWORK DIAGRAMS OF THE SOUTHWESTERN WISCONSIN LIBRARY SYSTEM AND JACKSON COUNTY, MICHIGAN





Chairman INOUYE. Now, Doctor, you have indicated that you have many concerns, one is that you don't have sufficient data to proceed on, and you're making plans without these—the data. If that is the case, what do you foresee as the outcome of the expenditures?

Dr. LASSNER. So, let me simply classify the investment in infrastructure to two parts. One is the part we've been most involved in, in Hawaii, which is what I call the anchor tenants, reaching schools, libraries, healthcare facilities. In those areas, I think, the parties interested in deploying infrastructure do have pretty good data. I mean, we know exactly what the connection is at every public school, every public library, and so forth.

Where we're really missing data is with the bolder objective of having the entire Nation catch up with 21st century broadband connectivity to every home and business in the State and in the Nation, and that's where there really is no data available, and that's what your Broadband Data Improvement Act will really help with.

My guess is that most of the funds will struggle to find their way into some of these anchor institution proposals, which frankly is good for schools and libraries, but we'll have quite a bit of work ahead of us in terms of advancing the level of service to homes and businesses that we really require.

Chairman INOUYE. Your response has been that of concern to me. So, if I make—and I call upon my staff to confer with you—to draft a letter of concerns to the appropriate agencies in the United States.

Dr. LASSNER. I would be delighted, in fact, your staff both here and in Washington has been unbelievably supportive and helpful as we've all struggled through this, so I thank you and them for that assistance.

Chairman INOUYE. As the former chairman of the Commerce Committee, your response doesn't please me.

Dr. LASSNER. Right, I understand that. I think you wanted honest feedback, so——

Chairman INOUYE. Now, if the funds are spent appropriately, can you describe, for the record, what are the changes that you can anticipate? Now, for example, there was a time when we had telephone, and that—I can still recall, four people, four houses being on that one line. Today you have cell phones, you have BlackBerry, you have iPhones, and everything else. What can we anticipate from this?

Dr. LASSNER. So, let me describe, maybe, a scenario in a typical Hawaii multi-generational home. Not today, but maybe in 5 years, that we might have two students doing schoolwork, one might be preparing videos, some of the great work done on the Hawaiian coast in creative media production. Somebody creating a public service announcement or feature-length video, uploading it to a server in high definition for national and international distribution, while another kid in the home is participating in distance learning.

Maybe the mother is teleworking at home in a high-definition video conference with colleagues downtown, so that they don't have to drive into the city to do their work. At the same time, perhaps the grandmother is at home having a teleconsult with her physician, perhaps on another island, this could be taking place on any island. And all of that together requires much more capacity than we have today, and it requires bidirectional capacity. So, shifting the view that this is about pumping content into homes and businesses, but rather, viewing our homes and our businesses as originators of content and active communicators, including the kinds of high-definition video that we're getting used to today—I mean, that's a fantastic opportunity that will improve our economic competitiveness and our sustainability and reduce stress on our transportation systems and the roads that these guys are struggling to keep up with.

Chairman INOUYE. Well, I'm from an older generation, a generation that had the time and inclination to carry on personal communications—meeting people, socializing, et cetera. Will this technology now do away with that?

Dr. LASSNER. Absolutely not. But, I guess what I'd say is that, you know, the newer generation, and I guess I'm somewhere in between at this point, is building their social relationships online, as well. And they're not replacing their interpersonal relationships and communications, but they're extending them, in two ways.

One is, people are meeting, not just their neighbors who happen to live on their street, but friends and colleagues who share common interests anywhere in the State, around the Nation, and around the world.

The second is, that as we begin to push this technology, some of the new technologies for—and we sometimes use the buzzword "telepresence"—provide the illusion of being there. It's almost like the hollow deck on "Star Trek"—you can start thinking about actually sitting across the table, as we are today—and having an image that looks just as good as if we're sitting here, but without you, for example, having to endure that 10-hour set of flights from Washington to come back here to talk with us.

So, that would be a good example of setting up a real hearing room that looks like a hearing room, where you could actually have better contact with your constituents than you're able to have during the limited amount of time you're able to enjoy Hawaii.

Chairman INOUYE. I'd rather go around shaking hands.

Dr. LASSNER. We're not quite there, yet.

Chairman INOUYE. Well, I'd like to thank all of you for your testimony, it's been extremely helpful. And if I may, we'll be submitting written questions for your response. Thank you very much.

If you have any addendums or corrections you'd like to make, please feel free to do so.

Thank you.

Dr. LASSNER. Thank you, Chair.

Chairman INOUYE. Our next witness is the honorable mayor of the city and county of Honolulu. This is just the mayor?

Now that the hat has been transferred to the—I'd like to now recognize and call upon the distinguished mayor of the city and county of Honolulu, Mayor Mufi Hannemann. Mayor Hannemann.

STATEMENT OF MUFI HANNEMANN, MAYOR, CITY AND COUNTY OF HONOLULU

Mr. HANNEMANN. Good morning, Mr. Chair, and thank you very much for this opportunity to come before you on behalf of the Hawaii Council of Mayors. I'm very, very pleased to be joined this morning by my esteemed colleagues from Maui, Mayor Charmaine Tavares, from the Big Island of Hawaii, Mayor Billy Kenoi, and from Kauai, Mayor Bernard Carvalho.

We are working in unprecedented ways, Mr. Chair, in terms of maximizing the opportunities that we see with ARRA, certainly here with the State legislature, and certainly within our own counties. The Hawaii Council of Mayors was formed very recently, and I can't be more pleased with the energy, enthusiasm, and ideas that have come from my fellow colleagues.

By the same token, as you know, we've been very active with the U.S. Conference of Mayors, very directly involved in lobbying on behalf of our respective counties, but also fellow mayors across the country.

And we also want to extend publicly our appreciation, our support to you for your leadership, for you guidance in many of these areas that are not just benefiting our counties, but also counties throughout America.

Today, my remarks are going to be focused on five areas, with respect to potential benefits and impacts of our job training, Community Development Block Grants (CDBG), homelessness funding, public safety, and broadband.

Let me begin with job training. Basically the benefits fall in two areas, one with our youth and obviously with our adult segment.

We have seen immediate benefits with our youth. Summer employment was able to be achieved. We saw on Oahu, 370 young people were employed on the Big Island, 221 on Kauai, and 65 on Maui. So we were able to help families for the fact that their teenagers were finding meaningful employment. We also hope that through the process we were able to instill a semblance of public service, that these young people will recognize that government can be a good career and hopefully this is the beginning of continued service in government.

With respect to our adult population, we were able to provide training, especially for employment opportunities, and for dislocated workers, certainly some additional assistance in that regard. And so, we expect to serve 400 individuals on Oahu, Hawaii, 300, Maui, 117, and Kauai, 11, as a result of this funding under the job training program.

Last but not least, always—we're very interested in helping our social services providers in providing meals for our seniors and our homeless population. We expect to serve here on Oahu some 28,000 meals to about 110 seniors as a result of this additional funding through the ARRA program.

Second, on community development block grants. This is a program that is near and dear to every mayor's heart. We have seen improving track record of being able to work with our social service providers in providing needs across the board.

We want to thank you specifically, Mr. Chair, for your timely intervention in making sure that the Senate was also able to put in some funding for us. And you know, when we visited you, we had to educate more of your colleagues with respect to this very important funding that we wanted to see in our package, and you came through, as usual.

There's going to be more than $4 million in additional community development block grants that we'll be able to use to help our communities. Once the funds are awarded, we expect to also put it to good use as we've done with the regular funding of the CDBG during the regular appropriation process.

Let me turn to homelessness, Mr. Chair. Certainly the opportunity we see with our communities is that these monies can be used on the preventive side of homelessness. It's an issue that we are far beyond denial, the counties are working very, very hard to ensure that we provide timely funding in this area. And the $3.8 million that was recently awarded to Oahu will really help us in providing opportunities for our homeless population to pay their rent, electricity bills, receive credit counseling, housing placement, outreach, and other legal services.

In the county of Hawaii, the nonprofit office of social ministry expects to draw down on the first installment of a 3-year, $707,850 grant on September 1, so there's going to be an immediate opportunity to help our friends on the Big Island as a result of this.

Public safety—I have said time and time again, no more important responsibility for every county mayor then to ensure public safety. And we're very, very pleased, that through the ARRA program, we're going to be able to tap into that. We know that in tough economic times crime tends to rise. So, this proactive way of meeting some of the critical needs of our law enforcement offices is certainly very much appreciated.

Through the Edward Byrne memorial justice assistance grant, $4.3 million to all the counties, and basically for Hawaii County, the county of Maui, the county of Kauai, and the city and county of Honolulu, these funds will go basically in two areas, Mr. Chair; one in the hiring of additional personnel in law enforcement, and second, especially in the area of IT. We need to upgrade our technology, we need to ensure that the proper software, equipment, and training is done, and these funds will go a long way in that regard.

We also want to take advantage of the COPS program funding. And once again, it couldn't have come at a better time for my city. As a result of being able to tap into some $5 million in the COPS program, we're going to be able to hire 21 new additional police officers. And I know I speak on behalf of the Honolulu Police Department, how much they appreciate this. In the county of Hawaii, they also will be able to fund some 16 community policing positions over 3 years as a result of this wonderful opportunity through the COPS program.

Let me now touch upon our broadband. Certainly it's a very timely topic having had the discussion in the previous panel. In the broadband initiative, I really want to pitch the opportunities for my neighbor island colleagues. Certainly the broadband funding will help our three neighbor island counties and the private sector to expand broadband access to public—for public safety purposes on their islands, especially in remote areas. We'll be able to see the existing neighbor island broadband infrastructure perhaps become far more resilient, which will help them, especially during these public safety disasters that we're getting a lot of training in of late, most recently with the threat of Felicia that fortunately did not hit us with the kind of impact they had talked about initially.

Also, another aspect of the broadband funding will help my fellow colleagues on the neighbor islands with the State hospital system. We don't have that situation here on Oahu, but I know it will help them to retain staff, improve equipment to ensure that quality medical care is available for all residents.

Mr. Chair, I also want to mention, even though it's not part of our discussion this morning, since it was covered so well by the previous panel, but I want to assure you that all my fellow mayors and I are working very hard on the permitting aspect of the whole initiative coming from the Federal Government.

We said from the very beginning, as we met through the Hawaii Council of Mayors, we don't want to be the roadblock for any opportunity that may occur. So, we're working very closely with our State counterparts. We're looking for innovative ways to accelerate the permitting process. We know that time is money and certainly with this golden opportunity we have now to create jobs, we want to do that.

So, my county, for example, thanks the leadership of my department of planning and permitting director. The self-certification process has been welcome by both the State and the city. In other words, certification that has to be approved by a State agency or county agency, we're basically saying, you know, "Why don't we accelerate that by having the State—basically having the go-ahead without having to come for specific or as many county approvals?" We've asked the State to reciprocate and they're doing so. So, I think this will help us assure that these projects are being done.

That basically in a nutshell is my testimony. I tried to be as concise and precise as we have all submitted testimony to you.

And I just wanted to close with these remarks, Mr. Chair, that fiscal responsibility is very important. All of our county governments are doing our best to ensure that these public dollars, whether it comes from a local funding base or from a Federal funding base or the State, are being used wisely.

But it also has to always be tempered with compassion. And certainly the grants that I have outlined this morning go to serve our most vulnerable, our needy, those that truly need assistance, and we applaud your efforts and our congressional delegations effort, and the Obama administration for making these funding opportunities available for your neighbor island counties here in the State of Hawaii, as well as the city and county of Honolulu.

[The statement follows:]

Prepared Statement of Mufi Hannemann

Mr. Chairman, thank you for this opportunity to share with you the perspective of the Hawaii Council of Mayors on the American Recovery and Reinvestment Act. I would like to take a moment to introduce the mayors in attendance. Billy Kenoi, Mayor of Hawaii County, and Charmaine Tavares, Mayor of Maui County. Mayor Bernard Carvalho could not join us but sends his regards. We were asked to provide details of the social services program funding provided under the act.

Job Training

Throughout our counties, the job training funding has been an immediate success. The funds were received quickly and each county was able to employ economically disadvantaged youth during the summer. This program provided employment experience to youth and supplemented the work force of government and non-profit organizations. It served 370 youth on Oahu, 200 on the Big Island, 21 from Kauai, and 65 on Maui. Young people earned money this summer to purchase clothes, school supplies, and otherwise contribute to the family income. We hope that a summer job program will be funded again so that our Nation's youth can earn wages to supplement their family income, gain valuable work experience, and provide a service to their communities.

Adult and dislocated worker are beginning to see assistance from the counties through programs funded under the ARRA. Oahu expects to serve 400 individuals, Hawaii will serve about 300, Maui will serve 117, and Kauai will serve 11. These programs are intended to provide training in high demand occupations and provide support services for employment of laid-off workers and low-income individuals. In addition, money allocated for group dining and home-delivered meal programs is being used to serve 28,000 meals to about 110 seniors on Oahu in fiscal year 2010 through Meals on Wheels.

CDBG

The more than $4 million in additional Community Development Block Grant program funding will allow the counties to fund capital improvement projects for non-profits serving our communities, legal services programs, and energy efficiency upgrades to save energy and help reduce utility costs. Unfortunately, while the counties have selected the programs, the funding has not yet reached the service providers. Once the funds are awarded, the CDBG-funded programs statewide are expected to provide the equivalent of full-time employment for 35 residents over the course of a year. The jobs will be in construction and direct provision of services to the community.

And, Mr. Chairman, permit me to again thank you, on behalf of the U.S. Conference of Mayors, for championing the CDBG funding among your Senate colleagues. Your efforts were acknowledged at the mayors' meeting in Providence, Rhode Island.

HOMELESSNESS

The City and County of Honolulu and County of Hawaii were awarded Homelessness Prevention and Rapid Rehousing ARRA funds. The sum of $3,873,272 in contracts was recently awarded to Oahu entities to provide rental assistance, case management, credit counseling, housing placement, outreach, and legal services. The organizations should start providing these much-needed services by next month. In the County of Hawaii, the non-profit Office of Social Ministry expects to draw down the first installment of a 3-year $707,850 grant on September 1 to pay rental deposits, utility bills, and provide other assistance to the homeless or families at risk of becoming homeless.

PUBLIC SAFETY

Another component of the ARRA that will directly help our communities is the funding for law enforcement. The Edward Byrne Memorial Justice Assistance Grant provided about $4.3 million directly to all four counties. Hawaii County will be hiring two police evidence specialists and upgrading the computer server used by the prosecutor's office. The County of Maui will use its money to upgrade police department computer equipment and fund a community violence program manager, while the Prosecuting Attorney will hire an attorney and clerical support for the juvenile prosecution program. The County of Kauai will be using the funding to improve training, update equipment, and hire a part-time process server and special investigator. The Kauai Prosecuting Attorney's office will be able to hire four part-time staff members and two full-time staff for the domestic violence prosecution unit, property crime prosecution unit, and for a special prosecuting attorney. On Oahu, these funds will be used to employ civilian staff to increase community policing resources, provide a psychiatric nurse to improve coordination between the criminal justice and mental health systems, hire an evidence custodian, and hire an additional 5.5 staff members for the Prosecuting Attorney's drug court program. Some equipment and program expansions are also planned. While the grant award has been processed, our internal processes are working toward implementation of these programs. The new staff should be hired shortly and the equipment should be put out to bid soon.

The Honolulu Police Department was recently awarded more than $5 million from the Community Oriented Policing Services Hiring Recovery Program. This competitive grant award provides the salaries for 21 new police officers over 3 years. HPD is working to determine the allocation of these new-hire positions and planning for a recruit training class. The recruit selection is nearly complete. The County of Hawaii has applied for a COPS grant to fund 16 community policing positions for 3 years, and hopes that request will be funded in a future review of COPS applications.

BROADBAND

Another critical public safety initiative under ARRA is a partnership between the three Neighbor Island counties and the private sector to expand broadband access for public safety purposes on Maui, Kauai, and Hawaii. This competitive grant application to the U.S. Department of Agriculture's Rural Utilities Service and the National Telecommunications and Information Administration is designed to help protect the public by delivering broadband service to remote locations for security, law enforcement, civil defense, and emergency medical assistance purposes. The project will also make the existing Neighbor Island broadband infrastructure far more resilient, which will help protect public safety during natural disasters and emergencies.

Another prong of the ARRA effort to improve social services is funding to the State hospital system. While this did not benefit Honolulu, my fellow mayors are pleased by the direct funding provided to retain staff and improve equipment to ensure that quality medical care is available to their residents.

I would be remiss if we did not mention the additional social safety net provisions provided by the Federal Government. The increased funding for these programs that provide resources directly to our residents, such as unemployment insurance, child care services, and Temporary Assistance to Needy Families, is essential to our residents.

On a final note, when the State government has been helpful in expediting and releasing funds, as in the case of the Workforce Investment Act's ARRA allocations, we have been very successful in moving ahead with projects. However, Honolulu has experienced delays with a number of road and traffic projects because of the Hawaii Department of Transportation's lengthy approval process. The City would appreciate the State government's timely assistance in approving our requests.

On behalf of the Hawaii Council of Mayors, I thank you for providing this funding. We want to assure you that we are doing all we can to ensure the money is spent wisely and quickly to help our residents. We are available to answer any questions you may have about our programs and progress.

Mahalo.

Chairman INOUYE. I will be submitting to you and to your fellow mayors, questions of minor technicality, but—I hope you can respond to those. In addition, I have a few that were not listed.

I've been called upon, by telephone and otherwise, suggesting that we are once again experiencing an influx of homeless people from other States. You know, there was a time about 10 years ago when law enforcement officials on the west coast had been known to give some of their homeless an opportunity to go to Hawaii with a one-way ticket and not come back. Is there any truth to that at this point?

Mr. HANNEMANN. You know, Mr. Chair, we hear about it anecdotally from time to time, that this is continuing to occur, but we have not been able to identify this particular example or examples in terms of, you know, being able to trace this back to an individual that is doing that.

So, I know from the perspective of the city and county of Honolulu, that's always a rumor that it's out there, especially with people that may not be familiar with our lifestyle here or what to expect when they come here, but we haven't been able to—and I might say, too, we're not actually having a targeted effort to identify those folks.

All we know is that you need to do something about it, certainly our priority is always looking at our local residents who are homeless. We're happy that the State has stepped up to work with the counties. We're working very closely with our social service providers, but this is going to be an ongoing problem, because every time we try to clean up our beach parks, for example—because that's the other major complaint that we get from our residents in all the counties, that our local residents want to use our beach parks, they want it to be available to everyone—any time we engage in a clean-up effort that may result in some of the homeless population being moved, we hear a couple of things. One, where do they go to? Second, who's going to help them?

And so, the proper notification, working with social service providers, but most of all letting the homeless population know that there are options, there are places that they can go to is very important. And also, making sure that everybody understands, we all have to be part of the solution and not just part of the problem. It's one thing to complain about it, but we all have to step up and make sure that the whole homeless population is not situated on the leeward coast. Communities everywhere have to be able to accommodate them if they're congregating in those areas.

So, it's an ongoing public education effort. The Federal funding that we are receiving from the Federal Government, especially in the area of ARRA, which is going to go to preventive homelessness, I think is going to go a long way toward addressing this problem.

Chairman INOUYE. One of the major concerns of Members of Congress has been the difficulty found in interoperability of information between the State, county, and Federal first responders and law enforcement personnel. We have seen situations where the

State cannot communicate with the county police and vice versa, especially when we have some crisis situation, the situation is unacceptable. What is the situation there?

Mr. HANNEMANN. I can speak from a county perspective of Oahu. When I came into office, Mr. Chair, that exactly was the case within our own county. We couldn't have—we didn't have the capabilities of the police being able to talk to the firefighters, the firefighters talking to the EMS folks, and the like.

I have a very innovative and creative IT Director, Mr. Gordon Bruce, and we basically eliminated that problem. We have interoperability across the board at the county level. I believe there is going to still be some challenges in working with the State in that regard, but we're very hopeful because we can provide all that information or have that information, I say, to disseminate. But when there's a natural or man-made disaster, you have to have that across the board, from the Feds talking to the State, the State talking to county and vice versa. So, it's a work in progress but we think we can get there.

Chairman INOUYE. How's the interoperability between the counties?

Mr. HANNEMANN. It's—well, we communicate through --through speech, through song, through dance.

You name it, we're ready to go.

The interoperability amongst the counties in the first is always very good. I'll say this, during the Felicia threat, Mayor Kenoi, and Mayor Tavares and I were constantly communicating, our staffs were constantly communicating, and it was very, very helpful because as you know, the threat was passing from one island to a different island, and this time Mayor Carvalho was spared, so he had a pass on this particular one. But interoperability was very helpful, and our staffs were very helpful to each other.

As you may know, Mr. Chair, we have upgraded the Civil Defense Agency on Oahu. We've made it a full-fledged department, it's now a department of emergency management. We had an opportunity in one of your previous trips to take you down there, and our hope is to build a joint traffic management control center with Federal funding, there in the corner of the applied base yard, in back of the police department, that will serve as a one-stop center, if you will, for public safety and also enable us to better mitigate traffic throughout the city and county of Honolulu.

Chairman INOUYE. Will the stimulus funds be used to alleviate some of the problems caused by drugs?

Mr. HANNEMANN. Yes.

Chairman INOUYE. Crystal meth?

Mr. HANNEMANN. Yes.

Chairman INOUYE. Marijuana?

Mr. HANNEMANN. Yes. There are funding opportunities in the ARRA, some of them are very touched upon, they're coming through our departments, working with social service providers. And that's always going to be an ongoing challenge. I've always said with drugs, we can't rest on our laurels, as much progress as we've made, certainly the ranking of Honolulu as one of the safest big cities in America. Once we become complacent and we become content, then those type of problems creep up again. So, the more proactive we can be, the more collaboration amongst the counties, the State, the nonprofit social service providers, the Federal agencies, the better off we're going to be.

Chairman INOUYE. I sometimes tell my constituents that when you look at the Honolulu—city and county of Honolulu Police Department, with uniformed personnel of about 2,000 for the whole island, the District of Columbia, I think, when you add Metropolitan Police, the POT police, the judiciary police, congressional police, you have over 8,000 in uniform, and I don't want to bring up the amount of crime rate, but we're doing pretty well.

And I think you should be congratulated. And their population is one-half of yours.

Mr. HANNEMANN. Thanks. Well, we're very proud of the efforts that have been made in the past. I mean, our motivation is to continue to build upon that and continue being one of the finest families.

Chairman INOUYE. My final question here is that I've been told that there's some concern about the procedures that have been set up by the Federal agencies on filing applications and all that, layer after layer?

Mr. HANNEMANN. Well, there are some concerns with respect to guarding of information of the Federal Government, but Mayor Taveras and I are going to be part of the U.S. Conference of Mayors meeting coming soon where—the Obama administration will be there to address some of those concerns. I was on a conference call recently with Vice President Joe Biden in which a few mayors and I indicated to them that we'd be much more successful in implementing some of these programs if there were much more timely information, accessibility of information, and a timely response to some of our questions, and they've assured that that will occur.

Chairman INOUYE. I thank you very much, Mayor Hannemann, and I thank the mayors from the other islands—you've been very helpful. I presume you concur with the statement that——

I've heard this happen before.

Mr. HANNEMANN. They're great to work with, Mr. Chair. Thank you.

Chairman INOUYE. Thank you very much.

Our next panel consists of the superintendent of the Hawaii Department of Education, Ms. Patricia Hamamoto, the Field Office Director of the Honolulu office of the U.S. Department of Housing and Urban Development, Mr. Gordan Furutani, and the communications director of the Hawaii Primary Care Association, Mr. Matthew A. Nagato.

So, I'd like—if I may call upon the superintendent, the very distinguished Patricia Hamamoto.

STATEMENT OF PATRICIA HAMAMOTO, SUPERINTENDENT, HAWAII DEPARTMENT OF EDUCATION

Ms. HAMAMOTO. Good morning, Chairman Inouye.

On behalf of the Hawaii State Department of Education, I extend my warmest aloha. We appreciate the opportunity to testify this morning on the impact of the ARRA Act of 2009, specific to Hawaii's economy and education.

As you know, Hawaii's public school system is the 11th largest school district in the Nation, with over 177,000 students enrolled in grades K through 12 at 254 noncharter, and 31 charter, schools. The fiscal challenges we face today in public education are unprecedented. Hawaii's economy's downturn has resulted in K–12 education cuts, totaling over $500 million for school year's 2009–2010 and 2010–2011.

With the Federal dollars provided by the Recovery Act, we are crafting a blueprint for meaningful, sustainable education reforms, and we will improve student learning, close the achievement gap, and set the foundation for Hawaii's long-term economic recovery.

The first is the ARRA title I. As you know, we have both formula grants and the discretionary, and in our ARRA title I, there is approximately $32 million in addition to our regular title I allocation, or SEA—ESEA Act.

The extended learning opportunities, the Recovery Act dollars have already made a substantial contribution in Hawaii's economy. This past summer, the department swiftly created an extended learning opportunity summer instructional program. We invested $5 million of ARRA title I funds to provide free instruction in English language arts and mathematics to economically disadvantaged student.

Highly qualified teachers taught 9,000 students over a 3-week period at 90 schools. Many of the participating schools did not meet annual yearly progress targets under the No Child Left Behind Act and our status, so this money was welcome in being able to provide the additional instructional help.

Many of the—our ELO, our extended learning opportunities programs—assisted Hawaii's economy by employing nearly 500 teachers, educational assistants and other school site personnel and by expending funds on instructional materials and supplies. The department intends to continue this offer after school, during intersession, and next summer.

In regard to the McKinney Vento Act, approximately $176,000 was awarded and allocated. We currently will be setting up—working with two shelters in the Oahani area, and that will provide outreach, tutorial, as well as instructional materials for the students.

For ARRA IDEA, approximately $44 million was awarded to the State. Federal legislation allowed a one-time action to use IDEA Federal funds in place of State funds. By offsetting approximately $20 million in access, special education and related services for eligible students with ARRA individual and disabilities education act funds, the department was able to maintain staffing levels in schools, in comparison to school year 2008–2009.

Salaries for 355 teachers were covered by the $20 million. Hawaii's remaining $20 million in IDEA funds will go toward education reform, and various professional development, teacher improvement and services to students, as well as additional programs.

For ARRA title I, Hawaii received $348,600 in funds for equipment through the U.S. Department of Agriculture to support the National School Lunch Program. These funds have been awarded to 9 school food authorities, including 24 sites serving meals to children and adolescents on the 6 islands.

The ARRA State stabilization funds—SFSF part A, which is approximately $154 million—both the University of Hawaii and the department of education will be drawing—the part A has yet to be released to the department or the university. At this time, the department and Governor Lingle are working to finalize a memorandum of understanding which will include the university. Once the MOU is signed, the department will receive its portion of the stimulus funds over the course of this fiscal year. Both the university and the department not only plan to draw down on the part A of the stabilization, to both offset our budget restrictions and reductions during this biennium. These actions will limit cuts to instructional programs and positions currently being reviewed.

The ARRA State stabilization money, part B, which is approximately $35 million, the Governor has indicated in her application for the part B funds that it would be made available to support education. The Governor has invited the charter schools to apply for $24 million of the part B of SFSF funds. Once the application is approved, it is our understanding that the charter schools will submit expenditure reports and data directly to the Governor's Office for transmittal to the Federal Government.

The department hopes the Governor will release an additional $10 million for the university, to develop a statewide longitudinal system, as well as any remaining funds that will allow the department to address K–12 education reform in the four assurance areas required by ARRA. As you know, Hawaii needs to deliver on the four assurances mandated by the act, and these are in the areas of professional development, and highly qualified teachers, a common core of State standards, working with the university on a longitudinal data system, and other efforts outlined in my testimony. By meeting these assurances, Hawaii will be in a better position to apply for the Race To the Top funding.

In closing, the American Recovery and Reinvestment Act of 2009 is a crucial investment in the future of our children, tomorrow's workforce and our economy. I thank the committee for this opportunity, thank you, Chair, for this opportunity to offer my comments, and our full remarks will be entered into the record.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF PATRICIA HAMAMOTO

Chairman Inouye and Members of the Senate Appropriations Committee: On behalf of the Hawaii State Department of Education, I extend my warmest aloha. We appreciate the opportunity to testify this morning on the impact of the American Recovery and Reinvestment Act of 2009 ("Recovery Act," or "ARRA") on Hawaii's economy.

Hawaii's public school system is the 11th largest school district in the Nation with over 177,000 students enrolled in grades K–12 at 254 non-charter and 31 charter schools. Our statewide school system serves both as the State Education Agency and the Local Education Agency.

The fiscal challenges we face today in public education are unprecedented. In response to the global financial crisis, States across the Nation have been forced to slash millions of dollars from their education budgets.

Hawaii's economic downturn has resulted in cuts for non-charter and charter schools totaling over $500 million for school years 2009–2010 and 2010–2011. With the Federal dollars provided by the Recovery Act, we have strategically addressed our budget reductions by streamlining centralized operations and programs while crafting our blueprint for phasing-in meaningful, sustainable education reform that will improve student learning and close the achievement gap.

Transforming public schools and universities into 21st century institutions of learning that graduate college- and career-ready young men and women is no longer a goal; it is a mandate. The foundation for Hawaii's long-term economic recovery and future ultimately rests on this mandate.

ARRA AND HAWAII'S ECONOMY

Hawaii's economy is being aided by the Recovery Act funds through our education support and economic stabilization efforts.

Support to Struggling Schools and Students.—Each year, tuition-based summer school programs for credit recovery are usually offered by only 45 schools statewide. Some schools opt to provide a non-traditional summer program for their enrolled students focused on preparatory or grade-level coursework.

Over the Fiscal Biennium 2009–11, Hawaii's annual Title I allocation was increased by $34 million in ARRA Title I funds. The Department swiftly created an Extended Learning Opportunities (ELO) Summer Instructional Program and invested $5 million to provide free instruction in English language arts and mathematics to economically disadvantaged students. Highly Qualified teachers taught 9,000 students over a 3-week period this past summer at 90 schools. Recent test results indicate that many ELO-participating schools did not meet Annual Yearly Progress targets under the No Child Left Behind (NCLB) Act and are in "status."

Ten-month employees such as teachers and educational assistants are salaried personnel who are not compensated over the summer months. Thus, ELO programs assisted Hawaii's economy by employing nearly 500 teachers, educational assistants, and other school site personnel, and by expending funds on instructional materials and supplies. The Department intends to offer ELO after school, during intersession, and next summer.

Stabilize Education Funding.—By offsetting $19.9 million in excess special education and related services for eligible students with ARRA Individuals with Disabilities Education Act (IDEA) funds, the Department was able to maintain staffing levels in school year 2008–2009. Federal legislation allowed this "one-time" action to use Federal funds in place of State funds. Salaries for 355 teachers were covered by the $19.9 million. Hawaii's remaining $20 million in IDEA funds will go towards education reform.

Equipment for School Lunch Programs.—Hawaii received $348,600 in ARRA Title I funds for equipment through the U.S. Department of Agriculture in support of the National School Lunch Program. These funds have been awarded to nine School Food Authorities, including 24 sites serving meals to children and adolescents on six islands.

STATE FISCAL STABILIZATION

Federal stimulus monies have stabilized the level of funding for public education during the current economic downturn. ARRA State Fiscal Stabilization Funds (SFSF) have enabled the Hawaii State Department of Education and the University of Hawaii to preserve instructional programs.

Hawaii State Department of Education: Part A SFSF.—The Department will draw on Part A SFSF totaling $53 million per year for Fiscal Biennium 2009–11 to offset the $43 million per year budget reduction taken by the 2009 Hawaii State Legislature and to meet the additional 14 percent in budgetary restrictions imposed by Governor Linda Lingle on the Department in July 2009. Without the Part A SFSF, our non-charter public schools stood to lose approximately 765 teachers with an average salary of $56,257. Charter schools will receive $2 million for each year of the biennium.

The Part A SFSF has yet to be released to the Department. At this time, the Department and Governor Lingle are working to finalize a Memorandum of Understanding (MOU). Once the MOU is signed, the Department will receive its portion of the stimulus funds over the course of the fiscal year.

University of Hawaii: Part A SFSF.—Part A SFSF of $22 million per year for Fiscal Biennium 2009–11 will be used to help mitigate the $46 million per year budget reduction by the Hawaii State Legislature and the $52 and $54 million reductions in fiscal year 2010 and fiscal year 2011, respectively, imposed by the Governor, which reflects the equivalent of 3 furlough days per month for faculty and staff. The University will use the Part A SFSF balance for faculty salaries related to classroom and laboratory instruction.

The $22 million in Part A SFSF, when released, will help preserve instructional faculty positions and courses that would otherwise have to be eliminated. The University's financial situation becomes more critical as enrollments have increased at all campuses, statewide. Student enrollment at the three University campuses and seven community colleges are up by 5,830, or 13.2 percent, and 4,178, or 16.5 percent, respectively. More students are applying for Federal financial aid and the increase in the Pell Grant provided by ARRA will ensure that more needy students have access to higher education even during the economic downturn.

Hawaii State Department of Education and University of Hawaii Part B SFSF.—Governor Lingle indicated in her application for the Part B SFSF that funds would be made available to support education. Charter schools have applied directly to the Governor for $24 million of the Part B SFSF. If the application is approved, charter schools will submit expenditure reports and data to the Governor's office. The Department hopes the Governor will release an additional $10 million for the University to develop a statewide longitudinal system as well as any remaining funds that will allow the Department to address K–12 education reform and the four assurance areas required by ARRA.

EDUCATION REFORM

Essential education reform in Hawaii's public schools will be driven by best practices and the promotion of effective strategies. A combination of ARRA funds—a sum total of approximately $45 million—will be spent on supporting reform and innovation to increase student achievement. Charter schools will receive their ARRA Title I and IDEA funds based on the current approved funding methodology.

EFFECTIVE EDUCATORS AND ACADEMIC STANDARDS

Equitable Distribution of Effective Educators.—Hawaii spends State and Federal dollars (NCLB Title II, Part A) on its U.S. Department of Education-approved Highly Qualified State Plan (HQSP) and Equity Plan (EQP) programs designed to deliver instruction by highly qualified and experienced teachers to all students in schools led by effective leaders.

High Needs schools with large numbers of economically disadvantaged students, poor academic performance, and higher percentages of core courses taught by non-Highly Qualified Teachers are given priority status for funds allocated by the Department.

This school year, a select cohort group of teachers and school administrators will benefit from an additional year of professional training in struggling schools and field-based experiences focused on applied instructional leadership. This winning plan affords the candidates relevant and meaningful field work. Immediate benefits accrue to struggling schools that receive additional leadership and support. Costs for this program will be assessed to Federal NCLB project funds.

By leveraging available funding sources with ARRA funds (IDEA and Title I), the Department will achieve ARRA reform goals and expand professional development for teachers and principals. All future professional development courses and training will be based on student achievement and focused on student needs identified under HQSP and EQP programs.

Raising Academic Standards and Improving Student Assessments.—Hawaii is participating in a program led by the States to develop a common core of State standards that are internationally benchmarked. The national effort is being led by the Council of Chief State School Officers and the National Governors Association Center for Best Practices. Joining this project will help Hawaii meet the assurance on standards outlined in ARRA. The State's involvement in this effort may also allow Hawaii to pursue additional Federal and private funds to raise academic standards and to jointly work with other States to improve student assessments.

Hawaii is the newest member of the World-Class Instructional Design and Assessment Consortium. This group of 20 partner States is dedicated to the design and implementation of high standards and equitable educational opportunities for English language learners. ARRA funds will pay for consortium membership fees that will cover the administration of English-language proficiency test assessments aligned to Hawaii's academic content standards for 18,000 students per year.

IMPROVED DATA COLLECTION AND USE

University of Hawaii Part B SFSF. As noted earlier, Governor Lingle indicated in her application for the Part B SFSF that funds would be made available to support education. With $10 million in funds, the University would be able to develop a statewide longitudinal data system to meet Federal ARRA assurances regarding improvement and use of inter-agency data for education planning. Additionally, these funds may be directed as additional resources for science, technology, engineering, and math (STEM) programs.

Accepting Part A and Part B SFSF required the Governor to assure the State's commitment to improving the collection and use of longitudinal student data. This assurance will accelerate ongoing efforts of the Department and the University; Hawaii P–20 Partnerships for Education; State of Hawaii Department of Business, Economic Development and Tourism; Department of Labor and Industrial Relations, and others to develop a statewide longitudinal system.

A statewide longitudinal data system will track students' participation and progress in educational programs from early childhood through higher education and into the workforce. Better data and analyses will improve decision-making and educational outcomes for education and workforce development.

Hawaii State Department of Education: ARRA Title II, Part D Education Technology.—The Department is expending $3.2 million of ARRA funds (Title II, Part D Education Technology funds, Title I, and IDEA) to fast-track the development and implementation of its Data for School Improvement Project. This critical project will help struggling schools use student performance data to improve classroom instruction and student achievement.

Starting next school year, teachers will be able to regularly assess student performance on taught English language arts and mathematics benchmarks. Access to these results will be instrumental in providing timely and appropriate instructional interventions and support to those students needing additional assistance.

OTHER SUPPORTS FOR STRUGGLING SCHOOLS

The Department is committed to closing the achievement gap through the creation of coordinated and sustainable projects.

McKinney Vento Act.—The Department will partner with selected homeless shelters. Content specialists will evaluate and determine appropriate English language arts and mathematics curriculum for instructional delivery at the shelters. Computer instruction will also be offered. This project will provide tutoring to struggling students who are eligible for free and reduced lunch, attend selected Title I schools, and live in homeless shelters. Funding is being provided through the Education for Homeless Children and Youth, Recovery Act.

More Extended Learning Opportunities (ELO).—ELO will be offered after school, during intersession, and next summer. The ELO program will be sustained reallocating Title I funds (beginning school year 2012–13) and augmented by a waiver allowing the Department to provide Supplemental Education Services (SES).

Framework for School Turnaround Partnership for School Improvement.—The school turnaround project will focus on strengthening Hawaii's public school system by developing a process for effective leadership and building internal capacity. ARRA Title I monies will fund this project.

Professional Development on Education Reform.—ARRA Title I and IDEA funds will fund professional development focused on research-based classroom practices and education reform initiatives to improve student achievement.

CLOSING

The American Recovery and Reinvestment Act of 2009 is a crucial investment in the future of our children, tomorrow's workforce, and our economy. I thank the Committee for this opportunity to offer my comments.

Chairman INOUYE. I thank you very much, Madam Superintendent.

Most people are not aware of the unique problems and challenges faced by your department as compared to other States. For example, we have more demand for language specialists, because our population is made up of a more diverse ethnic spread. You don't find that elsewhere.

Second, we have laws like the Felix laws that we must care for children, students with special physical problems which you don't find in other States. We're required, by law, to do so. These are just two examples that I've cited. And the fact that our school system is such that we have several islands, not just one island—not one large land mass.

So, notwithstanding, you've done very well, Ms. Hamamoto.

Ms. HAMAMOTO. Thank you, sir.

Chairman INOUYE. And will the stimulus funds make up for a shortfall that you are experiencing now? You've said that as a result of the economic downturn, your budget has been cut by about $500 million?

Ms. HAMAMOTO. Yes.

Chairman INOUYE. Will the stimulus funds make up for it?

Ms. HAMAMOTO. No, it will not. It will help, I think, in the area of the funds that have been targeted for title I and IDEA, which are special needs students, it would help there, but overall, the department's budget has been severely impacted by the budget reductions and restrictions, beginning 2 years ago when we've had to make allowances and reductions for each year—each fiscal year.

So, opening this school year, we're approximately $80 million short when we started school 2 weeks ago, and that will continue as we progress, given the restrictions that we currently are—the restrictions we've currently been given—given—well, the Governor has already explained, and others have explained the current challenges both in the intake of revenue, and that has affected us, as well, in relationship to the dollar amount that the department will be experiencing over the next couple of years as we mentioned. What we've already taken, what we're currently taking, and what we'll have to take, it will be nearly $500 million.

Chairman INOUYE. According to some of the headlines and articles appearing in the local press, one might get the impression that your department and the Governor's Office are not singing the same song.

Ms. HAMAMOTO. Well, maybe they're different tones.

Chairman INOUYE. Are you able to resolve your differences?

Ms. HAMAMOTO. In relationship to what is expected for the ARRA funds and the challenges that are there, I believe, yes, we are, sir.

I also know that it's been very difficult—education is definitely not being spared—and while we feel that we have to provide for the children, by law, they're by law required to come to us, we have 177,000 children that we must take care of, and as you mentioned, we have the ELL, the English second-language learner—very diverse, as well as those with challenges both emotionally, socially and physically, and that creates another set of challenges and struggles for the department.

But nevertheless, come Monday morning, this morning, our children were there at the door, and they expect to be taught, and we expect our teachers and our administrators to deliver services so that they can be prepared for the 21st century.

Chairman INOUYE. Are you satisfied that your department is doing whatever can be done for the children from disadvantaged economic families? The homeless?

Ms. HAMAMOTO. No, I am not satisfied. I want to see the ability to provide not only more in the way of direct services for students, I'd like to have more highly qualified teachers, I'd like to be able to place the best teachers in the areas that need the most services and provide that social equity—and education can level the playing field, and that's what I would like to be able to do with the ARRA funds.

And we're going to do our darndest to start to use the funds to leverage the equity piece and move the very best teachers to where they're most needed by our children.

Chairman INOUYE. Are you satisfied that you're hiring the best teachers?

Ms. HAMAMOTO. No, I'm not, sir. I think we can—well, you know, you mentioned that the State of Hawaii has unique challenges because we're an island State. It's also a unique challenge in that it's very difficult at times time to recruit from the mainland. And after 9/11, we found that many of our mainland teachers left after a couple of years, wanting to be closer to family, and we can understand that.

So, our recruitment becomes much more difficult. We know that the university and our local colleges provide less than 50 percent of all of the new teachers we hire, which means that we're forced to go out of State to do the recruitment. And yet, the relocation, the cost of living here, and the distance, at times, works against us, although we may be paradise, there is a price to pay.

So, we work within the system, and we work within the State to beef up our—or, I should say, rather than beef up—what we do is we work with the universities and colleges to strengthen their teacher education program, so that they'll be ready to provide the services for our children. But that's not enough, we really need a lot more teachers in relationship to wanting to have that commitment and that attitude that they're going to do the very, very best for our children, and they're going to have the highest standard for our children to achieve.

Chairman INOUYE. Considering the high cost of living, is the pay scale for schoolteachers comparatively as good as, say, Washington or Oregon?

Ms. HAMAMOTO. When you compare the cost of living and the distance, many of our new teachers have a very difficult time, and for many of those that are in-State, fortunately they have family that helps take care of them, but we find that most of our teachers that come, if there is not a network of support, it becomes difficult for them to own a home, to provide transportation and the necessities that they need.

Chairman INOUYE. I thank you very much.

Ms. HAMAMOTO. Thank you.

Chairman INOUYE. You've got a difficult job, but I admire what you're doing.

Ms. HAMAMOTO. The product is worth it in the end, our students.

Chairman INOUYE. Our next witness is the Field Office Director of the Honolulu office of the Department of Housing and Urban Development, Mr. Gordan Furutani.

STATEMENT OF GORDAN Y. FURUTANI, FIELD OFFICE DIRECTOR, HONOLULU OFFICE, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. FURUTANI. I'm Gordan Furutani, Field Office Director for the U.S. Department of Housing and Urban Development.

First, I want to thank the committee for inviting HUD to this hearing, and also for the opportunity to provide a report on the status of HUD programs that have been funded by the Recovery Act.

Before I do that, however, I'd like to introduce you to a couple of my staff that have been working diligently to implement—fully implement—the act.

First of all, Mike Flores—Mike is the Director of Public and Indian Housing, and Mark Chandler—Mark is the Director of Community Planning and Development.

Now, the Recovery Act provided HUD with a total of $13.6 billion. Of this amount, grantees in the State of Hawaii would receive $52.6 million in formula funding.

Six HUD programs were funded under this act. The programs—the funded amount, the obligation and expenditure status for each program are as follows: The Hawaii Public Housing Authority was awarded more than $16.2 million under the Public Housing Capital Fund Program, and the housing authority has selected 10 projects to be funded. One of the projects has already been placed under contract, and the authority is in the process of completing the contracts for the other projects.

Thus far, the authority has obligated about $1.1 million, or about 7 percent of its total award.

Funding under the Native Hawaiian housing block grant is $10.2 million. The grant has been awarded to the State department of Hawaiian homelands, and the department of Hawaiian homelands will use 100 percent of the funds for infrastructure development of two affordable housing projects. Already, $1.7 million has been obligated, and about $700,000 or 7 percent of the total funds have already been spent.

Hawaii also received about $9.8 million for the Tax Credit Assistance Program, or TCAP, and these funds have been awarded to the State Housing Finance and Development Corporation. The State has selected three projects to fund and is in the process of completing the contracts with the developers.

Six point one million dollars has been funded under the Homeless Prevention and Rapid Re-Housing Program. Of this amount, $2.1 million has been awarded to the State for distribution to the counties, and another $4 million has been awarded to the city. Currently, the grantees are in the process of providing access to nonprofit service providers through sub-recipient agreements.

Under the project-based rental assistance program, $6.1 million have been awarded to 21 HUD-assisted multifamily rental housing developments, and all of the funds have been made available to the property owners, and already $3.9 million, or 64 percent of the funds have been expended.

Last, under the Community Development Block Grant Program, a total of $4 million have been awarded, refer to the mayor for how much they enjoyed or loved this Community Development Block Grant Program. Two point six million has been awarded to the city, $650,000 to the county of Hawaii, $550,000 to the county of Maui, and $200,000 to Kauai County. The grantees are presently in the process of developing agreements with the nonprofit service providers to access and expend these funds.

In addition to the funds provided by formula, which I just covered, Hawaii's eligible to compete for three Recovery Act competitive grant funds, including $995 million in the Public Housing Capital Fund Program, $2 billion under the Neighborhood Stabilization Fund, and $250 million under the Green Retrofit Program for HUD-assisted multifamily projects.

And more detailed information on the program description, obligation and expenditure deadlines, accounting of projects to be funded, breakdown of the funding amounts for each project, and specific amounts obligated and spent is contained in our written testimony.

Finally, I would like to share with you our assessment regarding use of the Recovery Act funds. We feel that we are presently in a good position, and our program directors feel optimistic about getting the job done, and fully expect that 100 percent of the funds will be obligated and expended by the prescribed deadlines, or very close to the deadlines.

That's why I introduced my program staff, we all collaborated on deciding where we were with regard to the processing of the Recovery Act funds, and we all decided that we are in a good position to meet all of the deadlines.

Mr. Chairman, this concludes my testimony, and again, thank you and the committee for allowing us to participate in this hearing.

[The statement follows:]

PREPARED STATEMENT OF GORDAN FURUTANI

Aloha, Senator Inouye and members of the Committee. I am Gordan Furutani, Honolulu Field Office Director of the Department of Housing and Urban Development (HUD). Thank you for inviting HUD to participate in this hearing and for the opportunity to inform you about the HUD program activities under the American Recovery and Reinvestment Act (ARRA) of 2009. Thank you for funding the programs that will benefit the people of the State of Hawaii.

ARRA included $13.61 billion for projects and programs administered by HUD, nearly 75 percent of which was allocated to State and local recipients on February 25, 2009—only 8 days after President Obama signed ARRA into law. Recovery Act investments in HUD programs will be not just swift, but also effective: they will generate tens of thousands of jobs, modernize homes to make them energy efficient, and help the families and communities hardest hit by the economic crisis. The remaining 25 percent of funds are being awarded via competition in the coming months.

Of the HUD funds awarded by formula or direct project funding, grantees in the State of Hawaii will receive $52,649,563. The six programs that received funding by formula or direct project funding, the amount of funds for each of the programs, and the distribution of the funds are as follows:

Public Housing Capital Fund—$16,245,443

The Capital Fund has been awarded to the Hawaii Public Housing Authority (HPHA) and made available on 3/17/09.

100 percent of the funds (signed contracts) must be obligated by 3/17/10 and 60 percent of the funds must be expended by 3/17/11 and 100 percent by 3/17/12.

HPHA has selected 10 projects to be funded that will utilize 100 percent of the funds. One project has been placed under contract and HPHA is in the process of preparing documents to procure the other contracts.

As of 8/12/09, HPHA has obligated $1,170,000 (7.2 percent) of the funds.

We expect that 100 percent of the funds will be obligated and expended by the deadlines.

Native Hawaiian Housing Block Grant—$10,200,000

The NHHBG has been awarded to the Department of Hawaiian Home Lands (DHHL) and made available on 5/7/09.

100 percent of the funds must be obligated (signed contracts) by 5/6/10 and 50 percent of the funds must be expended by 5/6/11 and 100 percent by 5/6/12.

DHHL has selected two projects to be funded that will utilize 100 percent of the funds.

As of 8/6/09, $1,727,607 (17 percent) has been obligated and, as of 8/1/09, $700,396 (7 percent) has been expended.

We expect that 100 percent of the funds will be obligated and expended by the deadlines.

Tax Credit Assistance Program—$9,861,610

The TCAP has been awarded to the State of Hawaii, Hawaii Housing Finance and Development Corporation (HHFDC).

75 percent of the funds must be obligated (signed contracts) by 2/16/10 and 75 percent of the funds must be expended by 2/16/11 and 100 percent by 2/16/12.

The grantee's application was approved and the grant agreement has been executed by HUD.

HHFDC has selected three projects to be funded that will utilize 100 percent of the funds and is in the process of contracting with the developers.

We expect that 100 percent of the funds will be obligated and expended by the deadlines.

Homeless Prevention and Rapid Re-housing Program—$6,182,962

The HPRP has been awarded to the State of Hawaii (for the neighbor island counties)—$2,166,888 and to the City and County of Honolulu—$4,016,074.

100 percent of the funds must be obligated (signed subrecipient agreements) by 9/30/09 and 60 percent must be expended within 2 years and 100 percent within 3 years.

All grantee applications to HUD for Hawaii have been approved and the grant agreements have been executed by HUD.

Grantees are in the process of executing the grant agreements and in the process of developing subrecipient agreements with the nonprofit service provider.

We expect that 100 percent of the funds will be obligated and expended by the deadlines.

Project-Based Rental Assistance—$6,117,358

The PBRA has been awarded to 21 HUD-assisted multifamily housing developments.

All funds were reserved 3/20/09 and obligated (made available to the property owners) by 6/16/09.

As of 8/13/09, $3,942,656 (64 percent) has been expended.

All funds will be expended as this program provides the monthly subsidy of the tenants' rents that the owners needs to cover project operations.

Community Development Block Grant—$4,042,190

The CDBG has been awarded to the City and County of Honolulu—$2,626,694; Hawaii County—$647,364; Maui County—$552,976; Kauai County—$215,156.

100 percent of the funds must be expended by 9/30/12.

All of the applications from the grantees have been approved by HUD and the grant agreements have been issued.

Grantees are in the process of executing the agreements and returning to HUD for final processing.

Grantees are in the process of developing subrecipient agreements between the grantee and the nonprofit service provider.

The City and County of Honolulu has selected seven projects to be funded; Hawaii County has selected two projects; Kauai County has selected two projects; and Maui County has selected two projects.

We expect that 100 percent of the funds will be expended by the deadline.

ARRA set a strict timetable for obligating and expending the ARRA funds. Appendix A provides a Table identifying the specific projects or recipients of the ARRA funding as well as the statutory deadlines for obligating and expending the funds. I assure you that the recipients of the funds and our staff are working diligently to fully utilize the ARRA funds and we expect that, for each program, we will not fail to meet the deadlines for obligations and expenditures. HUD is equally committed to ensuring that these programs, and all Federal housing programs, are administered in a way that affirmatively promotes fair housing and equal housing opportunity in Hawaii and across the nation so that all Americans have access to decent, safe and affordable housing.

In addition to the ARRA funds provided by formula or direct project funding, Hawaii is eligible to compete for the three ARRA competitive grant programs:

—*Public Housing Capital Fund.*—The Hawaii Public Housing Authority is eligible to compete for a portion of the $995 million made available under this program.

—*Neighborhood Stabilization Program.*—The eligible grantees are able to compete for a portion of the $2 billion available under this program.

—*Green Retrofit Program for Multifamily Housing.*—The eligible property owners are able to compete for a portion of the $250 million available under this program.

The individual Notices of Funding Availability for each of the competitive programs have been issued and applications from prospective grantees have and are being received. Awards for the Public Housing Capital Fund must be made by September 30, 2009. Decisions on the other competitive grants are expected to be made in the next few months.

See Appendix B for a brief description of the ARRA programs applicable to Hawaii.

One challenge faced by the recipients of the ARRA funds is in procurement. The ARRA funds are in addition to funds that grantees already received as part of their regular annual funding. The good news is that the number of projects that could be funded to help stimulate the economy increased, but the number of contracts that had to be let in a short period of time increased as well. The strict deadlines imposed by ARRA on the obligation and expenditure of funds are taxing the staff of the grantees to be able to do more procurement with the same amount of staff resources. Although ARRA provided up front waivers from local procurement requirements and encouraged grantees to select projects that were shovel-ready, the process of securing the contracts (obligation) and completing the work (expenditures) takes time.

Another challenge is determining if the materials bought with ARRA funds all meet the Buy American provision. For example, one grantee found that it is not a safe-harbor to simply buy windows from a local window supplier and be confident that the purchase satisfies the Buy American requirement. They or the contractors must delve deeper to determine that the raw material and parts that went into the construction of the windows are from American manufacturers in order to meet the requirements of ARRA. The time and effort in searching for materials, equipment, etc. that meets the Buy American requirement, whether done by the grantees or by the contractors, will slow the contracting and acquisition processes, may increase costs, and may deter contractors and material suppliers from participating in the project.

Thank you again for the opportunity to provide information about the HUD ARRA funded activities and for your support of the programs that will benefit the people of Hawaii.

APPENDIX A—HUD FUNDING FOR HAWAII—AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009—ENACTED FEBRUARY 17, 2009

[As of August 14, 2009]

Program—formula funded and direct project funding	Funding amount	Obligation deadline	Spending deadline	Obligated	Expended
Public Housing Capital Fund	$16,245,443	100 percent by 3/17/10	60 percent by 3/17/11 100 percent by 3/17/12	$1,170,000 as of 8/12/09	
Projects to be funded:					
David Malo Circle, Lahaina, Maui: roofing, site improvements, ADA work, misc repairs—$600,000 estimated.					
Hale Hauoli, Honokaa, Hawaii: roofing, site improvements, ADA work, painting, interior repairs—$2,800,000 est.					
Kaimalino, Kealakehe, Hawaii: roofing, site improvements, flooring repairs, misc repairs—$1,831,483 est.					
Kahekili Terrace, Wailuku, Maui: Replace hot water storage, roofing, exterior painting, plumbing, electrical and related work, asbestos mitigation—$3,448,000 est.					
Kalihi Valley Homes, Honolulu, Oahu: Interior and exterior renovation, roofing, kitchen improvements, plumbing and electrical upgrades, painting—$1,170,000					
Kalanihuia, Honolulu, Oahu: roof repair for elevator shaft and lobby—$340,000 est.					
Makua Alii, Honolulu, Oahu: Structural and spalling concrete repairs—$1,734,587 est.					
Makani Kai Hale I and II, Wailuku, Maui: replace exterior siding, windows, doors, screens and frames, roofing, gutters and downspouts, electrical repairs—$2,200,000					
Mayor Wright Homes, Honolulu, Oahu: roofing—$1,000,000 est.					
Various Projects and Locations: repair long term vacant units, misc repairs and upgrades—$1,000,000					
Native Hawaiian Housing Block Grant	$10,200,000	100 percent by 5/6/10	50 percent by 5/6/11 100 percent by 5/6/12	$1,727,607 as of 8/6/09	$700,395.68 as of 8/1/09
Projects to be funded:					
Infrastructure development for Kaupuni Village—$1,700,000					
Infrastructure development for East Kapolei II—$8,500,000					

Tax Credit Assistance Program Projects to be funded: Ainakea Senior Residence, 30 units, Hawaii Community Builders, Hawaii County—$3,300,000 Hale Wai Vista, 84 units, Hawaii Housing Development Corporation, Honolulu County—$1,780,000 Kukui Gardens, 389 units, EAH, Inc. and Devine & Gong, City and County of Honolulu—$4,781,610	$9,861,610	75 percent by 2/16/10	75 percent by 2/16/11 100 percent by 2/16/12		
Homelessness Prevention and Rapid Re-housing Program Projects to be funded—State of Hawaii: Office of Social Ministry, Hawaii County—$707,850 Kauai Economic Opportunity, Kauai County—$341,425 YWCA of Kauai, Kauai County—$141,425 Family Life Center, Maui County—$300,000 Maui Economic Concerns of the Community, Maui County—$135,950 Maui Economic Opportunity, Maui County—$135,950 Women Helping Women, Maui County—$135,950 Legal Aid Society of Hawaii, Multi-County—$112,500 Maui Aids Foundation, Maui County, $112,500 Hawaii Public Housing Authority, State of Hawaii—$43,338 Projects to be funded—City and County of Honolulu: Catholic Charities Hawaii—$973,432 Helping Hands Hawaii—$500,000 Institute for Human Services, Inc.—$1,100,000 Kalihi Palama Health Center—$500,000 Legal Aid Society of Hawaii—$300,000 Volunteer Legal Services Hawaii—$100,000 Waianae Coast Comprehensive Health Center—$219,840 Waikiki Health Center—$180,000 City and County of Honolulu Administration of HPRP and HMIS—$142,802	$6,182,962 State of Hawaii—$2,166,888 HNL—$4,016,074	100 percent by 9/30/09	60 percent w/in 2 years 100 percent w/in 3 years.		
Project-Based Rental Assistance Projects to be funded: Home Pumehana, Molokai—$143,835 River Pauahi, Oahu—$190,109 Kapuna I, Oahu—$574,770 Waipahu Hall, Oahu—$250,190 Kekaha Plantation, Kauai—$232,016	$6,117,358	NA	NA	$6,117,358 as of 6/30/09	$3,942,656 as of 8/13/09

APPENDIX A—HUD FUNDING FOR HAWAII—AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009—ENACTED FEBRUARY 17, 2009—Continued

[As of August 14, 2009]

Program—formula funded and direct project funding	Funding amount	Obligation deadline	Spending deadline	Obligated	Expended
Kaneohe Elderly, Oahu—$113,372					
Maunakea Tower, Oahu—$848,827					
Hale Hoaloha, Hawaii—$185,136					
Kalani Garden Apartments, Oahu—$48,258					
Kulana Nani, Oahu—$37,901					
Malulani Hale, Oahu—$15,057					
Keola Hoonanea, Oahu—$48,069					
Hale Lahaina, Maui—$23,376					
Wilikina Apartments, Oahu—$331,734					
Smith-Beretania, Oahu—$2,055,430					
Waipahu Tower, Oahu—$799,656					
Residential Services HARC II, Oahu—$22,074					
Mana Ola Na Keanuenue, Maui—$47,840					
Hale O Mana O Lana Hou, Maui—$40,573					
Helemano Plantation, Oahu—$78,351					
Residential Services HARC IV, Oahu—$30,784					
Community Development Block Grant	Total—$4,042,190	NA	100 percent by 9/30/12		
Projects to be funded:	HNL—$2,626,694				
Hospice of Hilo, Hawaii County—$367,628	HI County—$647,364				
Kamuela Elderly Housing, Hawaii County—$215,000	Maui County—$552,976				
County of Hawaii Administration and Planning—$64,736	Kauai County—$215,156				
Maui Food Bank, Maui County—$300,000					
Easter Seals, Maui County—$252,976					
Kauai Head Start, Kauai County—$16,300					
Kapaa Infrastructure, Kauai County—$198,856					
Kokua Kalihi Valley—City and County of Honolulu—$800,000					
Waianae Coast Comprehensive Health Center—City and County of Honolulu—$732,817					
Gregory House Programs, City and County of Honolulu—$298,333					
Alternative Structures International, Ohana Ola O Kahumana, City and County of Honolulu—$265,875					
Hawaii Family Law Clinic, City and County of Honolulu—$137,000					

Legal Aid Society of Hawaii, City and County of Honolulu—$100,000					
Central Oahu Youth Services Association, City and County of Honolulu—$30,000					
City and County of Honolulu Administration and Planning—$262,669					
Total Formula Funding for Hawaii = $52,649,563					

Program—competitive	Funding amount	Obligation deadline	Spending deadline	Obligated	Expended
Public Housing Capital Fund.	Competition—$1 billion.	100 percent w/in 1 year of funds available.	60 percent w/in 2 years of funds available; 100 percent w/in 3 years of funds available.	....	....
Neighborhood Stabilization Program.	Competition: $2 billion.	NA	50 percent w/in 2 years of when HUD signs agreement; 100 percent w/in 3 years of when HUD signs agreement.	....	....
Assisted Housing Energy and Green Retrofit.	Competition: $250 million.	NA	100 percent w/in 2 years of receipt of funds.	....	....

Appendix B.—American Recovery and Reinvestment Act of 2009

SUMMARY OF DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS

(Includes Only Programs Applicable to Hawaii)

FORMULA PROGRAMS OR DIRECT FUNDED PROJECTS

Public Housing Capital Fund.—$2.985 billion for the capital and management activities of Public Housing Agencies as authorized under Section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the "Act"), including modernization and development of public housing. The funds cannot be used for operations or rental assistance.

Native Hawaiian Housing Block Grant.—$10.2 million for new construction, acquisition, rehabilitation, including energy efficiency and conservation, and infrastructure development. These funds are made available to the Department of Hawaiian Home Lands as the housing entity eligible to receive funding under Title VIII of the Native American Housing Assistance and Self-Determination Act, for the purpose of providing housing assistance for Native Hawaiians on Hawaiian home lands.

Tax Credit Assistance Program.—$2.25 billion invested in a special allocation of HOME funds to accelerate the production and preservation of tens of thousands of units of affordable housing. The housing credit agencies in each State shall distribute these funds competitively and according to their qualified allocation plan. Projects awarded low income housing tax credits in fiscal years 2007, 2008, or 2009 are eligible for funding, but housing credit agencies must give priority to projects that are expected to be completed by February 2012.

Homeless Prevention and Rapid Re-Housing Program.—$1.5 billion invested in preventing homelessness and enabling the rapid re-housing of homeless families and individuals, helping them reenter the labor market more quickly and preventing the further destabilization of neighborhoods. The funds will provide for a variety of assistance, including: short-term or medium-term rental assistance and housing relocation and stabilization services, including such activities as mediation, credit counseling, security or utility deposits, utility payments, moving cost assistance, and case management.

Project-Based Rental Assistance.—$2 billion invested in full 12-month funding for Section 8 project-based housing contracts. This funding will enable owners to undertake much-needed project improvements to maintain the quality of this critical affordable housing.

Community Development Block Grant.—$1 billion for approximately 1,200 State and local governments to invest in their own community development priorities, including rehabilitating affordable housing and improving key public facilities—stabilizing communities and creating jobs locally.

COMPETITIVE PROGRAMS

Neighborhood Stabilization Program.—$2 billion invested in mitigating the impact of foreclosures through the purchase and rehabilitation of foreclosed, vacant properties in order to create more affordable housing and renew neighborhoods devastated by the economic crisis.

Public Housing Capital Fund.—$995 million for the capital and management activities of Public Housing Agencies for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation; addressing the needs of the elderly and persons with disabilities; providing a substantial amount of funding to transform distressed public housing; providing gap financing; and making a large investment in improving the energy efficiency and environmental performance of public housing.

Green Retrofit Program for Multifamily Housing.—$250 million invested in energy efficient modernization and renovation of housing of HUD-sponsored housing for low-income, elderly, and disabled persons.

Chairman INOUYE. I thank you very much, Mr. Furutani.

Have you had to hire additional personnel to carry out the disbursement of funds?

Mr. FURUTANI. That has been a problem that we discussed. Most of the local governments have a set cadre of staff to process regular funding. Here we have $52 million extra that they need to push out, and this is one of the challenges, I think, we're facing.

However, despite that fact, I know from our standpoint, I think we can do it without extra staffing. I'm not too sure about the localities, though. When, you know, when we really get into the reporting, the transparency part of it, there may be some extra load that I'm not sure that they can do. So, we need to take a look at that, and follow on what's going to happen when we get to the end of the processing period where we get the contractors on board, and we need to report how many jobs were created, and what were the periodic progress of the development, and so that may pose a problem down the line.

Chairman INOUYE. As of this moment, what do you estimate would be the number of jobs created, and jobs retained?

Mr. FURUTANI. We also looked at that, and we wanted to provide some information in our testimony, however when we took a look at each of the different programs that I described, we felt that it was a little early right now, we need to wait until we get the contractors on board, serving the contractors and get a determination of how many jobs were maintained, and how many jobs were added. Maybe next year, probably.

Chairman INOUYE. Am I to conclude from your testimony that you're satisfied with the cooperation and coordination with other agencies?

Mr. FURUTANI. Exactly, exactly. I think that's probably the key in why we have so much confidence in us meeting all of the established deadlines, because we have this working relationship, communication to the local entities, it's very good—cooperation is very good, and if we continue that, I'm pretty sure that we'll be meeting all of the Recovery Act requirements.

Chairman INOUYE. This has been a good day for me, because your reports have been optimistic.

Mr. FURUTANI. Well, I think maybe in about a year we need to come back and tell you where we're at.

But, I think my assessment of the situation, not likely. And, you know, that's why I had, you know, my staff here, because they're the ones that say they—we're going to make it. And I agree with them.

Chairman INOUYE. I thank you very much, Mr. Furutani, and the two Marks.

Mr. FURUTANI. One is Michael.

Chairman INOUYE. Oh, Michael. Michael and Mark.

Thank you very much.

Our next witness is the communications director of the Hawaii Primary Care Association, Mr. Matthew A. Nagato.

Mr. Nagato.

STATEMENT OF MATTHEW A. NAGATO, COMMUNICATIONS DIRECTOR, HAWAII PRIMARY CARE ASSOCIATION

Mr. NAGATO. Thank you, Mr. Chairman.

Thank you for inviting us to provide testimony of the effects of Recovery Act funding for Hawaii's federally qualified community health centers. My name is Matthew Nagato, communications director of the Hawaii Primary Care Association.

Although small in comparison to the other agencies that have reported here today, the additional funding made available to us in Hawaii has been crucial for both the health centers and the nearly 120,000 people that live in the vulnerable communities that they serve.

As I'd like to observe the 5-minute rule for oral testimony, I'd just like to note that the written version of the testimony that we've submitted will contain far greater detail on the breadth, scope and impact of these funds.

The economic crisis has resulted in significant growth in Hawaii's unemployment, and the concurrent rise in the loss of job-related health insurance coverage. At the same time, declines in State revenue have resulted in the elimination of healthcare programs of vulnerable and underserved populations throughout our State. The Primary Care Association estimates that State funding that supports community health centers will be cut by at least $11 million in fiscal year 2010. This includes cuts of $7 million for Med-QUEST Services, and $4 million for mental health, uninsured, perinatal, pharmacy, and family planning service contracts.

Needless to say, at a time of exploding demand, these cuts have the potential to cripple the ability of health centers to meet basic levels of care needed in our communities. And given this deteriorating economic condition, it is also not surprising that community health centers have reported significant increases in demand for services, with the most notable increase being the need for mental healthcare.

In total, the Recovery Act provided $2.5 billion to the Federal Health Resources and Services Administration, or HRSA, to preserve and create jobs, promote economic recovery, and help the people most affected by the recession. Under HRSA's formula, which used the number of uninsured patients seen at each facility—Hawaii's 14 community health centers—we'll share a total of $2.7 million to pay for operating costs related to an increased demand for healthcare.

Hawaii's health centers will also receive $7.3 million for capital improvement programs. This CIP awards were based, not on the uninsured, but by the total number of patients served by each health center, and it should be noted that only partial CIP funding has been released by HRSA thus far.

Finally, each community health center was also given an opportunity to apply for construction project support, under the Facility Investment Program.

Hawaii's health centers in general give HRSA high marks for speed and responsiveness, although the more complicated Capital Improvement and Facility Investment Program applications were found to be confusing and burdensome to the process of rapidly obtaining Recovery Act funds.

With the help of the Recovery Act, Hawaii's health centers are expanding hours, renovating facilities to make them more efficient, updating electronic medical record systems, and hiring additional medical and behavioral health providers.

Our community health centers estimate that their IDS funds will support services for 13,000 patients, including nearly 4,000 uninsured. This funding will prove crucial in the face of crippling State funding cuts, and the increased demand for services, but these funds will not make up for the entire shortfall.

The situation in Hawaii is so dire that the $2.7 million in funds provided under the Recovery Act for increased demand for services are dwarfed by the $11 million loss in State funding cuts to health centers just for existing services. As we've noted, Recovery Act funds will directly affect jobs and services in our health centers at a time of great need in our local community. More importantly, they will also act as fiscal multipliers, as this money moves through the local economy. While the IDS and CIP grants will amount to $10 million for Hawaii's health centers, the aggregate economic effect will be nearly double that.

With these Recovery Act funds, health centers will directly employ an additional 60 people with more than 300 jobs throughout the local community also supported, and since the majority of our health centers are in rural areas, most of the economic benefit will also be felt there.

In summary, we'd like to commend the Recovery Act's investment in community health centers, and we appreciate that the Federal Government has recognized the value of reinforcing the healthcare safety net, during this unprecedented economic crisis, and also for recognizing that community health centers are an excellent venue for saving some of our country's most challenged communities. In Hawaii, these funds will help offset the precipitous decline in State funding, and give health centers the resources to maintain some level of service in the face of increased community demands.

And finally, we'd like to thank Senator Inouye and the Committee on Appropriations, for this opportunity to provide our comments on the program, and submit testimony on behalf of Hawaii's health centers.

[The statement follows:]

PREPARED STATEMENT OF MATTHEW NAGATO

Chairman Inouye, thank you for inviting us to provide an overview on funding for Hawai'i's Community Health Centers (CHCs) and for the Hawai'i Primary Care Association under the American Recovery and Reinvestment Act (ARRA or Recovery

Act) of 2009. My name is Matthew Nagato, Director of Communication for the Hawaii Primary Care Association.

As shown below, the additional funding made available to us in Hawai‘i has been crucial for both the health centers and the communities they serve. At a time of increased need and significant cut-backs in State health care funding, ARRA funds have helped sustain jobs and retain—and in some cases even expand—access to primary health care.

CONTEXT FOR RECOVERY ACT FUNDS FOR COMMUNITY HEALTH CENTERS IN HAWAI‘I

Hawai‘i’s rapid economic downturn has resulted in a precipitous growth in unemployment and an accompanying spike in the number of residents who are uninsured because they’ve lost job-related health insurance. At the same time, the reduction in State revenues has resulted in the elimination of long-established State health care programs for the economically disadvantaged, further exacerbating the problem. We estimate that State funding that supports community health centers will be cut by at least $11.1 million in fiscal year 2010.

The greatest impact on health care funding has been on Med-QUEST administered services. In July, the Governor announced that she would be cutting $42 million in State funding from Med-QUEST, which, because of Federal participation in most programs, amounts to a loss of more than $100 million to the health care sector. (We would like to voice our gratitude for the additional Medicaid funds made available through ARRA earlier this year, without which the situation in Hawai‘i would be far worse). Among the reductions most damaging to community health centers are:

[In millions of dollars]

Med-QUEST program cuts	Est. negative impact to community health centers
Elimination of dental services for adults in the Medicaid program	3.5
Elimination of full Medicaid benefits and reimbursement for adult migrants under the Compacts of Free Association	2.5
Reduction in funds for Medicaid application assistance	0.6
Elimination of immigrant health initiative program	0.5
Total Med-QUEST Impact on Community Health Centers	7.1

Department of Health program cuts will result in both greater demand for community health center services and reduced resources. DOH has sharply curtailed both State-run and contracted services for mental health, which is especially devastating since community needs increase substantially during times of economic stress. Other reductions include funding for uninsured, perinatal, pharmacy, and family planning services. Community health centers expect their various services contracts with DOH to be diminished by at least $4 million.

FUNDING PURPOSES AND AMOUNTS

The Recovery Act provided $2.5 billion to the Health Resources & Services Administration (HRSA) to preserve and create jobs, promote economic recovery, and help people most affected by the recession. The following shows how Hawai‘i’s Community Health Centers will benefit from these funds.

Increased Demand for Services (IDS) Funds.—Hawai‘i’s 14 community health centers will share a total of $2.7 million over a 2-year period (March 2009 to February 2011) to pay for operating costs related to an increased demand for services. Divided equally between the 2 years and proportionately among the health centers, grants ranged from a low of $100,483 at the Lāna‘i Community Health Center to $342,984 at Kālihi-Palama Health Center. Funding levels were determined by both the number of uninsured patients cared for by the health center and its total number of patients as reported for 2008. Funds for the current year were made available in April, 2009.

HRSA-funded primary care associations received related one-time Recovery Act funds to provide assistance to community health centers. The Hawai‘i Primary Care Association received $86,000 in 2009, which will be used for increased technical assistance and training for health centers and for collecting and disseminating information to policy makers, funders, and the general public about the needs for and availability of services for the medically disenfranchised.

Capital Improvement Program (CIP) Funds.—Hawai'i's health centers expect to receive $7.3 million for CIP funds. Awards were based on the number of people served by each health center and ranged from $251,820 for Lāna'i to $1,195,070 for Wai'anae Coast Comprehensive Health Center. In Hawai'i, these funds will be used for a variety of purposes including essential repairs and maintenance; adding clinical space to expand medical, dental, and mental health services; purchasing and enhancing electronic medical records systems; improving facility infrastructure to increase security and energy efficiency; and replacing antiquated dental chairs and x-ray equipment with updated models. Only partial funding for CIP has been released so far.

Facility Investment Program (FIP).—Besides IDS and CIP funds that were made available to every community health center, CHCs were given an opportunity to apply for funds for construction projects. An estimated 100 awards ranging in value from $750,000 to $12,000,000 are expected to be made by the end of the year. Proposals were due on August 6, 2009.

EFFECTS ON SERVICES AND THE ECONOMY

Community health centers estimated their IDS funds would preserve or create 60 jobs while supporting health care services for an additional 12,790 patients, including 3,947 uninsured patients.

Increased Services.—Given Hawai'i's economic circumstances, it is not surprising that community health centers report significant increases in demands for services, with the most notable increase in needs for mental health care. Communities hit by mass layoffs over the past 18 months and where populations are least settled have seen the greatest increase in demand for services to the uninsured. We anticipate a notable upswing in uninsured visits for the health centers most involved in caring for immigrants and migrants under the Compacts of Free Association, as adults from those populations do not qualify for public benefits. All health centers providing dental care for adults will be hard hit.

With the help of Recovery Act funds health centers are responding to these increased demands by expanding hours, renovating facilities to make them more efficient, and hiring additional medical and behavioral health providers. They are also using IDS and CIP funds to expand dental programs in response to Hawai'i's critical dental access shortages .

Economic Value.—Besides the primary virtue of supporting access to health care, Recovery Act funds are making a significant monetary contribution in Hawai'i's most economically challenged areas. Not only is there a direct impact in terms of funding, jobs, and services at community health centers, but there is also an extended "ripple effect" as money moves through the local economy. Ambulatory health care is one of the best investments to ensure community-wide recirculation of cash. The following tables show the geographic distribution of this Recovery Act funding and its extended value in the communities:

Geographic area	IDS funds (direct benefit to CHCs)	Expanded output [1] (community impact)	Expanded jobs for ambulatory care sector [1]
Statewide:			
Hawai'i Island	$590,043	$1,174,186	22.7
Maui	$335,722	$668,087	12.9
Lāna'i	$100,483	$199,961	3.9
Moloka'i	$117,193	$233,214	4.5
Kaua'i	$174,155	$346,568	6.7
O'ahu	$1,382,954	$2,752,078	53.1
Total Statewide	$2,700,550	$5,374,094	103.7
Rural Hawai'i	$1,937,689	$3,856,001	74.4
Urban Honolulu	$762,861	$1,518,093	29.3

[1] The calculations for expanded output and expanded jobs supported are according to the U.S. Department of Commerce Regional Input-Output Modeling System (RIMS II) for Hawai'i in 2009.

Geographic area	CIP funds (direct benefit to CHCs)	Expanded output [1] (community impact)	Expanded jobs for repair and maint. sector [1]
Statewide:			
Hawai'i Island	$1,547,515	$3,079,555	43.4
Maui	$841,940	$1,675,461	23.6

Geographic area	CIP funds (direct benefit to CHCs)	Expanded output[1] (community impact)	Expanded jobs for repair and maint. sector[1]
Lāna'i	$251,820	$501,122	7.1
Moloka'i	$304,740	$606,433	8.6
Kaua'i	$473,650	$942,564	13.3
O'ahu	$3,898,445	$7,757,906	109.4
Total Statewide	$7,318,110	$14,563,039	205.4
Rural Hawai'i	$5,372,650	$10,691,574	150.8
Urban Honolulu	$1,945,460	$3,871,465	54.6

[1] The calculations for expanded output and expanded jobs supported are according to the U.S. Department of Commerce Regional Input-Output Modeling System (RIMS II) for Hawai'i in 2009.

Geographic area	Combined IDS and CIP funds (direct benefit to CHCs)	Expanded output (community impact)	Expanded jobs[1]
Statewide:			
Hawai'i Island	$2,137,558	$4,253,740	66.1
Maui	$1,177,662	$2,343,547	36.5
Lāna'i	$352,303	$701,083	10.9
Moloka'i	$421,933	$839,647	13.1
Kaua'i	$647,805	$1,289,132	20.0
O'ahu	$5,281,399	$10,509,984	162.5
Total Statewide	$10,018,660	$19,937,133	309.1
Rural Hawai'i	$7,310,339	$14,547,575	225.2
Urban Honolulu	$2,708,321	$5,389,559	83.9

[1] The calculations for expanded output and expanded jobs supported are according to the U.S. Department of Commerce Regional Input-Output Modeling System (RIMS II) for Hawai'i in 2009.

COMMENTS ON PROCESS

All community health centers emphatically agree that Recovery Act funding is crucial in the face of crippling State funding cuts and increased needs, but does not make up the shortfall. The situation is so dire in Hawai'i that the $2.7 million in increased program support from HRSA is far less than the losses in State funding.

Recognizing that time was of the essence and that the process was new to all concerned, health centers generally give HRSA kudos for speed and responsiveness. Probably because the CIP and FIP initiatives were more complex, a certain amount of confusion and seemingly unnecessary requirements were associated with the processes to apply for them.

Some reflections on this unique opportunity to apply for Federal funding for both program needs and capital include:

Funding Formula.—HRSA needed a simple, understandable funding methodology in order to distribute money quickly. All community health centers are in acute need. However, some health centers are being immediately affected more than others, particularly those disproportionately serving the newly unemployed, immigrants, migrants, and homeless individuals. It is also apparent in Hawai'i that the smallest, most geographically remote health centers have singular responsibility for health services in their communities but because of their locations, have higher operating costs. We thank this Committee for its past support for the HRSA community health center program and ask for future increases in that program's funding since competitive grant opportunities and needs-based grant adjustments are likely to be the best ways to address these disparities.

Capital Needs.—Almost all health centers in Hawai'i have significant needs for capital funds for facility development, expansion, or replacement. Most CHCs initially planned to apply for FIP funding, although, ultimately, some were not able to do so. This underscores an on-going challenge to the expansion of our community health center network in Hawai'i where costs for land and construction are high and public and private funding for capital projects is very limited.

An additional issue was the short time in which to respond to Federal funds intended for rapid economic stimulus. In the highly competitive FIP proposal process only projects that demonstrate a high level of readiness are viable. Even health centers that had advanced capital project plans found it daunting to secure State and county permitting, demonstrate environmental and historic building impacts, and otherwise complete paperwork in time to meet the FIP application deadline. To address these needs, we ask the Committee to consider creating an on-going, predictable, and competitive capital planning and grants program within the community health center program.

CONCLUSION

In summary we commend the investment in community health centers by the American Recovery and Reinvestment Act of 2009. We appreciate that the Federal Government recognized not only the crucial value of bolstering the health care safety net at this time but also the fact that community health centers are an accountable and efficient means to stimulate the economies of our country's most challenged communities. In Hawai'i, and probably most other States, ARRA funds will help offset the steep decline in State funding for services and give the health centers resources to maintain and possibly expand services to meet new community demands.

We also note the good work done by the Health Services and Resources Administration in responsibly distributing and accounting for these funds.

Finally, we thank Chairman Inouye and the Committee on Appropriations for this opportunity to provide our comments on this program.

Chairman INOUYE. I thank you very much, Mr. Nagato.

At my request, Dr. Mary Wakefield, the newly appointed Administrator of the Health Resources and Services Administration, will be visiting Hawaii during the month of October. She'll be going to our neighbor islands and Oahu, and I hope that you'll take advantage of this trip and point out our unique problems.

Second, I've been receiving calls and letters from people who come from the former trust territory, and some have complained that the coverage is not adequate. What are your thoughts on this?

Mr. NAGATO. Thank you, Senator. I'd like to answer the first part of your question, regarding Dr. Wakefield's visit, I'd first like to thank your office for helping to make that happen. We're pleased that she's not only going to be able to visit community health centers in our State, but she's also going to be a featured speaker at the Primary Care Association's Annual Conference on October 8.

I think we can definitely use Dr. Wakefield and her support for patient-centered medical homes. In Hawaii, there are a handful of community health centers who are piloting this concept of integrated care under a medical home, and we strongly believe that these patients entering medical home pilots will help to address the three core principles of the President's healthcare reform agenda, and that it will increase access to care, it will improve clinical quality and health outcomes, and over the long term, help to reduce overall healthcare costs.

And so, we look forward to the opportunity to have Dr. Wakefield come to Hawaii and see those pilots in progress.

Regarding the loss of coverage to the Compacts of Free Association (COFA) migrants, we absolutely feel very strongly that the State needs to provide some additional level of support beyond the basic health Hawaii program that they've offered to COFA migrants, as the alternative to the Medicaid coverage that they had.

Two of the community health centers here on Oahu—Clepaloma Health Center, and Kakoakalehi Valley—will be absolutely devastated by COFA migrants who lose access to coverage, particularly those who suffer from kidney failure and lose access to dialysis and chemotherapy treatments. And for those patients, ultimately they'll end up having to go to emergency rooms, which will end up costing the system far more than providing ongoing coverage under the Medicaid program.

Chairman INOUYE. So, you think the stimulus funds would be good for this purpose?

Mr. NAGATO. Yes, yes. But as I noted in my testimony, the funds provided for under the stimulus program are far less than the amount of money that's being taken out of the social safety net programs.

Chairman INOUYE. Now that the law provides nurse practitioners a wide—broader area of responsibility, are you going to make use of those people?

Mr. NAGATO. Absolutely. Nurse practitioners are a very versatile and affordable alternative care provider, particularly for health centers in rural communities that might have difficulty in recruiting and retaining medical doctors as the primary givers of care. Nurse practitioners, given their versatility, would be absolutely essential for health centers like that.

On the other hand, going back to the medical home, nurse practitioners are an integral part of the care coordination in the patient-centered medical home, and as I noted, it supports, I think, the three core principles of the President's agenda on healthcare reform. And if we could get HRSA and Dr. Wakefield's continued support for patient reform—we're working with State governments, Medicaid, Medicare, and certainly the private insurance companies, to recognize the value—not just of the medical home, but all of the providers that operate within a medical home, like nurse practitioners—I think it will be very beneficial toward advancing the evolution of the healthcare system.

Chairman INOUYE. I believe I forgot to tell the witnesses or anyone here who wished to submit testimony, that in communicating with me, I would suggest you write to my Honolulu office in the Federal building, because as a result of 9/11, letters that are sent to Washington are subject to security inspection, such as anthrax and matters of that nature. And as a result, the delay may be anywhere from a month or more from that, and I don't want this to happen.

So, I hope that you are able to communicate with my Honolulu office, and the staff there can transmit it to me by e-mail or by something like that, but we can get it right away that way.

And I thank you very much for the testimony.

Mr. NAGATO. Thank you, Senator.

Chairman INOUYE. You've been most helpful.

And now, our final panel, may I call upon Mr. William Parks, the Special Assistant and State of Hawaii Liaison in the Office of Electricity Delivery and Energy Reliability, U.S. Department of Energy, Mr. Theodore Liu, director of the Hawaii Department of Business, Economic Development and Tourism, and Mr. Maurice Kaya, executive director of the Hawaii Renewable Energy Development Venture, Pacific International Center for High Technology Research.

Boy, you've got some fancy titles, here.

May I call upon Mr. William Parks.

STATEMENT OF WILLIAM PARKS, SPECIAL ASSISTANT AND STATE OF HAWAII LIAISON, OFFICE OF ELECTRICITY DELIVERY AND ENERGY RELIABILITY, U.S. DEPARTMENT OF ENERGY

Mr. PARKS. Thank you, Mr. Chairman, and for the opportunity to be here and address this field hearing today.

I have been stationed in Hawaii for the past 3 years, working with the State and counties on defining energy alternatives to oil dependency. I've submitted several documents on the status of ARRA actions by the DOE, and on the Hawaii clean energy initiative for the record.

[The information follows:]

ARRA ENERGY AWARDS FOR THE STATE OF HAWAII

PACOM Awarded $3,000,000 To Address Federal Energy Management

Based on a competitive approach across the services and commands PACOM was selected for a large amount of support. In support of DOD and the State's efforts, the Department of Energy recently approved over $3 million in technical assistance projects aimed at bringing the most advance energy efficiency, renewable power generation and micro-grid technologies to DOD installations in Hawaii and throughout the Pacific region. This effort will guide billions of dollars of future DOD investments.

Hawaiian Electric Company—$750,000 Awarded for Hawaii Utility Integration Initiatives (H.U.I.) To Enable Wind

On July 16 U.S. Department of Energy Secretary Steven Chu announced the selection of 28 new wind energy projects for up to $13.8 million in funding—including $12.8 million in Recovery Act funds. These projects will help address market and deployment challenges including wind turbine research and testing and transmission analysis, planning, assessments. The money to HECO is Recovery Act funding to address three areas of renewable energy development on the Hawaiian Islands.

Weatherization

State of Hawaii—$1,616,984 in initial weatherization funds awarded August 13th Hawaii will use its Recovery Act weatherization funds to weatherize more than 650 homes across the State over the next 3 years. The Hawaii Office of Community Services (OCS) will administer the program through two local community action organizations. Honolulu Community Action Program, Inc. will carry out the weatherization assistance in the city and county of Honolulu, and Maui Economic Opportunity, Inc. will conduct weatherization assistance in the three remaining counties of Hawaii, Kauai, and Maui. The Hawaii OCS will help provide training and technical assistance for the local agencies to ensure that the weatherization workforce is able to successfully carry out the goals of the program: reducing energy consumption and utility bills for low-income families, while creating and retaining jobs across the State.

After demonstrating successful implementation of its plan, the State will receive an additional $2 million, for a total $4,041,461.

State Energy Program

The State Energy Program (SEP) provides grants to States and directs funding to State energy offices from technology programs in DOE's Office of Energy Efficiency and Renewable Energy. States use grants to address their energy priorities and program funding to adopt emerging renewable energy and energy efficiency technologies. Hawaii is eligible for $25,930,000 from the Recovery Act in 2009. Hawaii has received 50 percent of these funds to date. Hawaii will use its Recovery Act funding for the SEP to improve energy efficiency and expand the deployment of renewable energy technologies, which will help advance mutual State and national goals for creating and maintaining jobs, reducing oil dependence, and reducing greenhouse gas emissions. Hawaii's energy efficiency strategy will directly fund high performance buildings, government and residential building retrofits, and energy efficiency measures in the State's hospitality industry. The program will also provide technical assistance and training to building owners, developers, design professionals, and county building code officials to ensure that new and renovated buildings are designed and built with high efficiency measures. Hawaii will target bringing buildings to ENERGY STAR and Leadership in Energy and Environmental Design (LEED) standards.

The SEP funding may be used to provide for residential energy audits or other energy-saving improvements, to develop renewable energy and alternative fuel projects, to promote ENERGY STAR® products, to upgrade the energy efficiency of State and local government buildings, and other innovative State efforts to help families save money on their energy bills.

Energy Efficiency and Conservation Block Grants

Energy Efficiency and Conservation Block Grants is a program developed in the Energy Investment and Security Act on 2007. The American Recovery and Reinvestment Act of 2009 established for the first time an appropriation of funds to support these grants. Over $2.6 billion in formula grants are now available to States, U.S. territories, local governments and Indian tribes under the Energy Efficiency and Conservation Block Grants (EECBG) Program. Federal grants may be used to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency. The EECBG Program is administered by the Office of Weatherization and Intergovernmental Programs in the Office of Energy Efficiency and Renewable Energy of the U.S. Department of Energy (DOE).

The State of Hawaii is eligible for $9,593,500 in EECBG funds and the counties of Hawaii, Maui, Kauai and the City of Honolulu are eligible for an additional $5,474,700 allocated based on population and other factors. These applications are being reviewed and negotiated with the State and local officials to deliver the funds to the Islands as quickly as possible.

Emergency Preparedness

The DOE's Office of Electricity Delivery and Energy Reliability is providing grants to improve State emergency preparedness planning and energy assurance capabilities, helping to ensure quick recovery and restoration from any energy supply disruptions. These awards were announced on August 12th, and the State of Hawaii has been notified that it will receive $318,196 under this initiative.

Smart Grid

The University of Hawaii at Manoa-Hawaii Natural Energy Institute won an award of $5,548,585 for a dispatchable Distribution Feeder for Peak Load Reduction and Wind Farming. The University of Hawaii will explore the management of distribution system resources for improved service quality and reliability, transmission congestion relief, and grid support functions.

HAWAIʻI CLEAN ENERGY INITIATIVE SUMMARY—JANUARY 2008–AUGUST 2009

TRANSFORMATION

The State of Hawaii depends on imported oil to meet over 90 percent of its energy needs, leaving Hawaii vulnerable to supply disruptions and greatly impacted by volatile energy prices. The goal of HCEI is to achieve a 70 percent clean energy economy in Hawaii by 2030. HCEI establishes a long-term partnership between the State of Hawaii and the U.S. Department of Energy (DOE) that will result in a fundamental and sustained transformation of the financial, regulatory, legal, and institutional systems that govern energy planning and delivery. Key partners include the counties, DOD, Department of Hawaii Homelands, private companies, non-profits and many other entities.

OPPORTUNITY

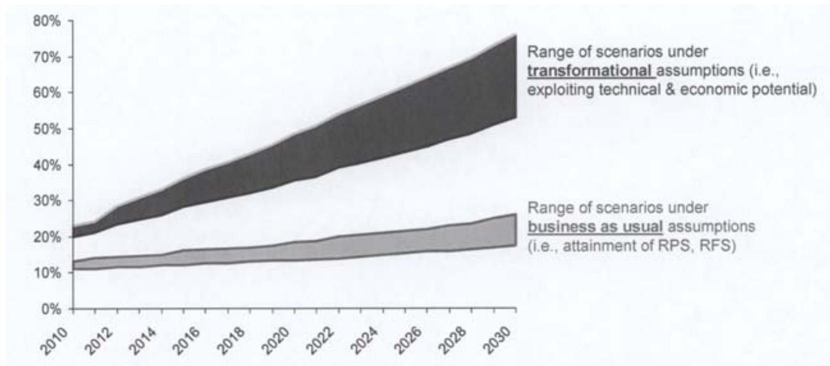
Economically and culturally sensitive use of natural resources can provide energy supply security and price stability for the people of Hawaii as well as significant environmental benefits and economic growth opportunities. The initiative is working on multiple fronts to accomplish a number of goals:

—Reduce energy demand 30 percent by 2030 through retro-fitting buildings, strengthening codes and standards, installing advanced controls, and building zero net energy homes and businesses;

—Increase renewable energy to 40 percent by 2030 by using Hawaii's natural resources, including wind, sunshine, geothermal, biomass, municipal waste, hydro, and ocean sources—enabled by the development of a smart grid infrastructure, an undersea cable, energy storage, and electric vehicles;

—Achieve 70 percent clean energy in transportation by growing biofuel feedstocks in conjunction with food and other needs and readying the island systems for electric vehicles and other advanced technologies.

Hawaii urgently needs to transition to an economy powered by clean energy, instead of imported oil.



BENEFITS FOR HAWAII

Create opportunities at all levels of society that ensure widespread distribution of the benefits resulting from the transition to a clean, sustainable energy State;

Demonstrate and foster innovation in the use of clean energy technologies, financing, and enabling policies and regulations;

Build the workforce of the future to enable and support a clean energy economy;

Establish an "open source" learning model for others seeking to achieve similar goals.

MAJOR ACCOMPLISHMENTS AND LESSONS LEARNED THROUGH AUGUST 2009

Integrated Participation.—Over 100 stakeholders are engaged in developing analysis and building policy recommendations for HCEI, bringing together national experts, local Hawaii leaders, and investors—both local and national. The technical working groups meet quarterly, and various other forums have also been convened—including two sessions of regulatory training and an investor's roundtable, among others. Primary lessons learned have been the importance of frequent communication among various parts of the initiative, and the need to create platforms for an even broader cross-section of stakeholders to become involved in HCEI.

Policy Wins.—Legislative successes were achieved in 2009 (such as an increased RPS) to set the structure for a transformation of the energy economy, including institutional change and the framework agreement with the HECO companies that led to the opening of key dockets in the PUC. Primary lessons learned are the importance of early and focused outreach to policymakers and the establishment of a clear process that shows how HCEI fits into the State policy process. Additional policy proposals are currently being analyzed and developed for 2010.

Federal Commitment.—There is strong commitment from Federal Government, not only in policy design, but also in willingness to invest—through ARRA funds and Federal support of other State programs. In addition, DOE has funded one Office of Electricity position and two National Renewable Energy Laboratory personnel to live in Honolulu full time to support the initiative.

Outreach.—HCEI has launched a comprehensive website for the public, held a clean energy festival in July 2009, and is fully engaged in promoting HCEI in the media. The lesson of the past year is that additional efforts are needed on this front to ensure the initiative's success, and that focused outreach to other jurisdictions attempting similar programs is necessary to scale and replicate this initiative.

Technical Projects.—The first round of partnership projects was launched in 2008 focusing on integrating renewable energy into island grids, constructing net zero energy buildings, and designing 100 percent clean energy microgrids. Primary lessons learned include the value of projects in making clean energy real for the community and the need to communicate the results of such projects to a broad range of stakeholders. The next round of projects is under consideration.

MAJOR NEAR-TERM THRUSTS AND OPPORTUNITIES

Renewable Energy Project Development and Regulation.—Key priorities are bringing investors into Hawaii to develop projects in the State, helping the PUC tackle complicated issues, making sure the clean energy resources are sustainable, and ensuring long term energy security.

Undersea Cable.—The key element is delivering clean energy resources to where the load is greatest; for that reason, an undersea cable is an important element for success. Developing the right State process, pursuing a realistic financing strategy, and understanding and resolving technical questions have been particular areas of focus.

Energy Efficiency Implementation.—The primary focus points for energy efficiency are realizing the aggressive goals established by policy, implementing energy efficiency programs, coordinating building code development across the counties, and working with specific sectors (e.g., hospitality) to realize large-scale change.

Progress on Transportation.—Key priorities are understanding the biofuels potential and path forward for local bioenergy production, addressing transportation needs at the State policy level including electrification of vehicles, folding in marine and jet fuel to the HCEI program.

Public Outreach and Acceptance.—The initiative is focused on building a broader understanding of these issues in the community and creating the demand for clean energy such that residents will understand the tradeoffs (e.g., economic, environmental) needed to make clean energy possible, and such that the leaders of Hawaii continue to drive these objectives forward.

Mr. PARKS. Today over $32 million in ARRA funds have been released to the State for energy activities. Another $15 to $20 million is expected over the next few months. Additional funding is available to successful private sector proposals, they expect further announcements on these over the next 6 months.

The Hawaii clean energy initiative has positioned Hawaii well for justifying the expenditure of these Federal funds, and there's close planning between the State and the DOE to best utilize these resources.

Coordination with other partners, such as the DOD, within PACOM, Hawaii National Energy Institute, the university, and the counties have further aided in prioritizing needed energy actions within the State, indeed, the HCI is a model of Federal, State and local partnership, and the interest in this program has grown worldwide, as a result of it.

The ARRA was created as a financial stimulus. For expediency, it used existing programs and pathways within the Federal Government to move funds. In addition, longer term actions will be needed to more fully transform the energy sector. Infrastructure investments take multiple years for environmental impact statements, siting, permits and construction. Continued coordination of annual funds and opportunities will be crucial to fully realize Federal benefits, and to reach the State energy mandate of 70 percent clean energy by 2030.

Despite the great efforts to date, the State could position itself better to be competitive for future solicitations, and cost-sharing opportunities. The lack of State funds for energy activities, given the vulnerability of this State to oil price volatility, is worrisome. The Federal Government can be a great partner, but the State needs to lead State activities. Hawaii's success in winning ARRA funds and future funds may be limited until the State is more successful at contributing to its own energy sustainability, as many other States do.

In addition, a sustained core energy capability within the State to develop the clean energy—to help developing the clean energy business sector—would further enable these businesses and strengthen the Hawaii economy.

There are several key areas where the ARRA funds are addressing critical energy issues this year, defining the needs and the benefits, and with inter-island cable, creating a regulatory environment for utility success, reinforcing State policies for a clean energy future, including transportation, developing a bio-energy roadmap and master plan, and new technology adoption are a few of these key areas that our funds are supporting this year.

Hawaii can be a model for the world, bringing benefits and security to the people of Hawaii, and justifying further Federal investment. My hope is that we can fully realize this unique opportunity, and I thank you for the opportunity to speak here today.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM PARKS

Thank you, Mr. Chairman and members of the committee for the opportunity to provide an update on the current status of smart grid activities at the Department of Energy as well as our future directions and priorities.

The Energy Independence and Security Act of 2007 (EISA) and the American Recovery and Reinvestment Act of 2009 (Recovery Act) expands the role of the Federal Government substantially in research, development, demonstration, and deployment of smart grid technologies, tools, and techniques. To fulfill this role, the U.S. Department of Energy (DOE) and the Office of Electricity Delivery and Energy Reliability (OE) are carrying out smart grid activities in three primary areas: (1) Smart Grid Investment Grants, (2) Smart Grid Demonstrations, and (3) Smart Grid Research and Development (R&D).

One of our top priorities is to responsibly disburse funds made available under the Recovery Act to develop and deploy smart grid technologies designed to modernize the Nation's electric system. The Recovery Act provided a total of $4.5 billion to modernize and enhance security and reliability of the electric grid. Most of the funding—about $4 billion—is supporting smart grid efforts. On June 25, 2009 we released two Funding Opportunity Announcements (FOAs)—one for Smart Grid Investment Grants and the second for Smart Grid Demonstrations. The first Smart Grid Investment Grants application period closed on August 6, and the one for the Smart Grid Demonstrations will close on August 26. We will be evaluating hundreds of applications over the coming months and making awards for projects that will show the benefits of a more modern grid that uses smart grid technologies, tools, and techniques for the betterment of electricity consumers across America. We expect this funding to spark innovation, create businesses, and provide new jobs for American workers. We believe these programs represent a "once-in-a-generation" chance for game-changing investments and we are dedicated to making sure that American taxpayers get maximum value from these investments in terms of a more reliable, secure, efficient, affordable, and clean electric system.

While these programs are about transforming the delivery and management of electric power through application of today's smart grid technologies, tools, and techniques (such as phasor measurement units and advanced metering infrastructure), we are simultaneously working on "next generation" systems for expanding the capacity and increasing the flexibility and functionality of electric transmission and distribution systems. Our fiscal year 2010 budget request for smart grid and related R&D is aimed at harnessing the Nation's scientific and engineering talent in electric systems and focusing it on discovery and innovation for new materials, algorithms, concepts, and prototypes for power lines, substations, transformer banks, feeder lines, storage systems, and switchgear to increase efficiency, reliability, security, resiliency, functionality, throughput, and energy density while reducing costs, footprint, and environmental impacts.

SMART GRID PERFORMANCE METRICS AND TRENDS

Section 1302 of Title XIII of the Energy Independence and Security Act of 2007 directed the Secretary of Energy to ". . . report to Congress concerning the status of smart grid deployments nationwide and any regulatory or government barriers to continued deployment." In July the Department of Energy released the Smart Grid Systems report. The report finds that while deployment of many smart grid capabilities are just beginning to emerge, penetration levels for substation automation, smart metering, and distributed generation technologies are growing significantly.

A part of the vision of a smart grid is its ability to enable informed participation by customers, making them an integral part of the electric power system. With bi-directional flows of energy and coordination through communication mechanisms, a smart grid should help balance supply and demand and enhance reliability by modifying the manner in which customers use and purchase electricity. These modifications can be the result of consumer choices that motivate shifting patterns of behavior and consumption. These choices involve new technologies, new information regarding electricity use, and new pricing and incentive programs.

Supporting the bi-directional flow of information and energy is a foundation for enabling participation by consumer resources. Advanced metering infrastructure (AMI) is receiving the most attention in terms of planning and investment. Currently AMI comprises about 4.7 percent of all electric meters and their use for demand response is growing. Approximately 52 million meters are projected to be installed by 2012. As many service areas do not yet have demand response signals available, a significant number of the meters installed are estimated not being used for demand response activities. Pricing signals can provide valuable information for consumers (and the automation systems that reflect their preferences) to decide on how to react to grid conditions. A Federal Energy Regulatory Commission (FERC) study found that in 2008 slightly over 1 percent of all customers received a dynamic pricing tariff, with nearly the entire amount represented by time-of-use tariffs (energy price changes at fixed times of the day). Lastly, the amount of load participating based on grid conditions is beginning to show a shift from traditional interruptible demand at industrial plants toward demand-response programs that either allow an energy-service provider to perform direct load control or provide financial incentives for customer-responsive demand at homes and businesses.

Distributed energy resources and interconnection standards to accommodate generation capacity appear to be moving in positive directions. Accommodating a large number of disparate generation and storage resources requires anticipation of intermittency and unavailability, while balancing costs, reliability, and environmental emissions. Distributed generation (carbon-based and renewable) and storage deployments, although a small fraction (1.6 percent) of total summer peak, appear to be increasing rapidly. In addition, 31 States have interconnection standards in place, with 10 States and the District of Columbia progressing toward a standard, one State with some elements in place, and only 8 States with none.

Gross annual measures of operating efficiency have been improving slightly as energy lost in generation dropped 0.6 percent to 67.7 percent in 2007 and transmission and distribution losses also improved slightly. The summer peak capacity factor declined slightly to 80.8 percent while overall annual average capacity factor is projected to increase slightly to 46.5 percent. Contributions to these measures include smart grid related technology, such as substation automation deployments. While transmission substations have considerable instrumentation and coordination, the value proposition for distribution-substation automation is now receiving more attention. Presently about 31 percent of substations have some form of automation, with the number expected to rise to 40 percent by 2010. The deployment of dynamic line rating technology is also expected to increase asset utilization and operating efficiency; however, implementations thus far have had very limited penetration levels.

THE SMART GRID INVESTMENT GRANT PROGRAM

The overall purpose of the Smart Grid Investment Grant Program (SGIG) is to accelerate the modernization of the Nation's electric transmission and distribution systems and promote investments in smart grid technologies, tools, and techniques to increase flexibility, functionality, interoperability, cyber security, situational awareness, resiliency, and operational efficiency.

The goals of the program involve accelerating progress toward a modern grid that provides the following specific characteristics that DOE believes define what a smart grid would accomplish:

—Enabling informed participation by consumers in retail and wholesale electricity markets;
—Accommodating all types of central and distributed electric generation and storage options;
—Enabling new products, services, and markets;
—Providing for power quality for a range of needs by all types of consumers;
—Optimizing asset utilization and operating efficiency of the electric power system;
—Anticipating and responding to system disturbances; and
—Operating resiliently to attacks and natural disasters.

The SGIG FOA issued on June 25, 2009 calls for the submission of project applications. The first phase of applications was due August 6, 2009, and subsequent phases will be offered if funds are available. We expect to make selections in October or November 2009.

There is approximately $3.4 billion available for this solicitation for projects in two categories:

—Smaller projects in which the Federal share would be in the range of $300,000 to $20,000,000.

—Larger projects in which the Federal cost share would be in the range of $20,000,000 to $200,000,000.

We expect about 60 percent of the funds will be allocated to larger projects and about 40 percent to smaller projects. The period of performance for awarded projects is 3 years, or less.

Project applications will be considered in six topic areas:

—Equipment manufacturing,

—Customer systems,

—Advanced metering infrastructure,

—Electric distribution systems,

—Electric transmission systems, and

—Integrated and/or crosscutting systems.

A technical merit review of the applications will be conducted by our own staff plus experts from colleges, universities, national laboratories, and the private sector. Reviewers will be subject to non-disclosure and conflict of interest agreements and will apply the following technical merit review criteria:

—The adequacy of the technical approach for enabling smart grid functions;

—The adequacy of the plan for project tasks, schedule, management, qualifications, and risks;

—The adequacy of the technical approach for addressing interoperability and cyber security; and

—The adequacy of the plan for data collection and analysis of project costs and benefits.

THE SMART GRID DEMONSTRATION PROGRAM

The overall purpose of the Smart Grid Demonstrations Program (SGDP) is to demonstrate how a suite of existing and emerging smart grid technologies can be innovatively applied and integrated to investigate technical, operational, and business-model feasibility. The aim is to demonstrate new and more cost-effective smart grid technologies, tools, techniques, and system configurations that significantly improve upon the ones that are either in common practice today or are likely to be proposed in the Smart Grid Investment Grant Program.

The SGDP FOA was also released on June 25th and calls for applications to be submitted by August 26, 2009 in two areas of interest:

—Regional demonstrations, and

—Grid-scale energy storage demonstrations.

The regional demonstration area covers projects involving electric system coordination areas, distributed energy resources, transmission and distribution infrastructure, and information networks and finance. The grid-scale energy storage demonstration area covers battery storage for load shifting or wind farm diurnal operations, frequency regulation ancillary services, distributed energy storage for grid support, compressed air energy storage, and demonstration of promising energy storage technologies and advanced concepts.

Approximately $615 million is available for awards with 8–12 regional demonstration projects and 12–19 energy storage projects expected. The period of performance for awards is 3 to 5 years.

INTEROPERABILITY AND CYBER SECURITY

A key aspect for the implementation of smart grid technologies, tools, and techniques nationwide is the need to address interoperability and cyber security. Development of industry-based standards for governing how the many different devices involved in smart grid can communicate and interoperate with each other in a seamless, efficient, and secure manner is one of the top priorities for OE and other Federal and State agencies. Since the smart grid vision involves the two-way flow of both information and electric power, and for higher degrees of automation and control than exist in today's electric transmission and distribution system, it is necessary for there to be standards that guide manufacturers and smart grid developers, foster innovation, and provide for a platform that enables a wide range of offerings to come to market and have the opportunity to compete. As occurred with telecommunications and the evolution of the Internet, effective standards form the basis upon which entrepreneurs can bring innovations to the marketplace, build new businesses, and create job opportunities.

At the same time, it is paramount that smart grid devices and interoperability standards include protections against cyber intrusions and have systems that are designed from the start (not patches added on) that prevent hackers from disrupting grid operations from gaining entry through the millions of new portals created by the deployment of smart grid technologies, tools, and techniques.

Through the Federal Smart Grid Task Force, we are collaborating with the National Institute of Standards and Technology (NIST) and other agencies and organizations in the development of a framework and roadmap for interoperability standards, as called for in EISA Section 1305. Cyber security is a critical element of these efforts. Our collaboration with NIST includes financial assistance involving $10 million of Recovery Act funding that was designated to support the development and implementation of interoperability standards.

As a demonstration that the DOE is working to eliminate cyber security risks, the following language is part of the smart grid FOAs:

Cyber security should be addressed in every phase of the engineering lifecycle of the project, including design and procurement, installation and commissioning, and the ability to provide ongoing maintenance and support. Cyber security solutions should be comprehensive and capable of being extended or upgraded in response to changes to the threat or technological environment. The technical approach to cyber security should include:

—A summary of the cyber security risks and how they will be mitigated at each stage of the lifecycle (focusing on vulnerabilities and impact);
—A summary of the cyber security criteria utilized for vendor and device selection;
—A summary of the relevant cyber security standards and/or best practices that will be followed; and
—A summary of how the project will support emerging smart grid cyber security standards.

DOE intends to work with those selected for award but may decide not to make an award to an otherwise meritorious application if that applicant cannot provide reasonable assurance that their cyber security will provide protection against broad-based systemic failures in the electric grid in the event of a cyber security breach.

The following technical merit review criteria will be used in the evaluation of applications and in the determination of the SGIG project awards. The relative importance of the four criteria is provided in percentages in parentheses.

—Adequacy of the Technical Approach for Enabling Smart Grid Functions (40 percent)
—Adequacy of the Plan for Project Tasks, Schedule, Management, Qualifications, and Risks (25 percent)
—Adequacy of the Technical Approach for Addressing Interoperability and Cyber Security (20 percent)
—Adequacy of the Plan for Data Collection and Analysis of Project Costs and Benefits (15 percent)

SMART GRID RESEARCH AND DEVELOPMENT

OE's fiscal year 2010 budget request contains a new line item to support a suite of activities to develop the next generation of smart grid technologies, tools, and techniques. While the FOAs are intended to accelerate existing systems, the R&D activities are aimed at new inventions, discoveries, and technology advances. We view grid modernization as a multi-decade process based on private sector investments and business innovations across a variety of markets and applications. This will be a highly dynamic process and will require agility and flexibility in the way OE manages its activities. There is direct linkage between the FOAs and the R&D, as lessons learned during implementation will generate use cases, best practices, and experience that will guide R&D directions and priorities.

Smart grid R&D priorities for fiscal year 2010 include:

—Integrated communications,
—Advanced components,
—Advanced control methods,
—Sensing and measurement, and
—Improved interfaces and decision support.

Integrated communications involves projects to create an open architecture and support interoperability for a "plug&play" smart grid environment. Advanced components include projects to develop power electronics devices for high-voltage energy conversion and flow control. Advanced control methods includes projects to provide operating and control solutions for integrating renewable and distributed energy systems into the electric transmission and distribution system, including plug-in electric vehicles. Sensing and measurement includes projects for advanced devices to evaluate system conditions and feed back such information to both grid operators and consumers for optimized operations and controls. Improved interfaces and decision support includes projects to develop tools for grid operators and consumers to use information streams from smart grid devices for real-time decision making and diagnostics.

Another R&D priority for 2010, and one that is closely related to and coordinated with our work in smart grid R&D, involves Clean Energy Transmission and Reliability and projects involving the deployment of Phasor Measurement Units (PMUs). OE leadership has been instrumental in the development and deployment of this technology and in the formation of the North American SyncroPhasor Initiative (NASPI), which involves OE collaboration with the Nation's leading electric utilities, power transmission companies, independent system operators, universities, national laboratories, and the North American Electric Reliability Corporation. The NASPI mission is to improve power system reliability and visibility through wide area measurement and control. Synchrophasors are precise grid measurements now available from monitors called phasor measurement units (PMUs). PMU measurements are taken at high speed (typically 30 observations per second—compared to one every 4 seconds using conventional technology). Each measurement is time-stamped according to a common time reference. Time stamping allows synchrophasors from different utilities to be time-aligned (or "synchronized") and combined together providing a precise and comprehensive view of the entire interconnection. Synchrophasors are providing greater insight into system operating conditions and hold the promise to enable a better indication of grid stress. An important goal is the use of PMU-derived information to trigger corrective actions that maintains reliable system operation.

A map of PMU installations shows growing numbers across North America including the Eastern Interconnection, Western Interconnection, and the ERCOT Interconnection (which comprises most of Texas). Devices called phasor data concentrators aggregate PMU data for use by system operators for wide area visibility and measurements. There are significant computational challenges in organizing and analyzing phasor data and in developing models and analysis tools for grid operators and visualization and decision making support. Such models and tools are essential for making key system-level improvements, including:

—Wide-area, real-time interconnection monitoring, visualization, and situational awareness of precursors of grid stress e.g., phase angles, damping;
—Monitoring of key metrics and compliance with reliability standards;
—Translation of data and metrics into information dashboards for operator action;
—Model validation (e.g., dynamic models, load models);
—Event analysis of root causes and forensics;
—Small signal stability monitoring and oscillation detection;
—Automated control actions—smart switchable networks;
—Definition of "edge" and reliability margins for real-time dynamic system management; and
—Computation of sensitivities and analysis of contingencies.

OE priorities in this area for fiscal year 2010 include development of prototype small signal monitoring tools for damping of characteristic grid oscillations, development of dynamics analysis capabilities for PMU-based networks, development of advanced visualization and decision making tools, assess possible PMU installations to monitor dynamics from wind and other variable sources of renewable generation, research in new algorithms and computational methods for solving complex power system problems, and assessments of human factors requirements for grid operators using operational simulations and scenario-based assessments.

OTHER RECOVERY ACT INITIATIVES

While Smart Grid is receiving the majority of the OE Recovery Act funds, the Department is sponsoring other Recovery Act initiatives. Recognizing the crucial role our State partners play in any efforts to modernize the grid and enhance energy security, we are making grants available to State and local governments to help them meet the challenges they face. One initiative focuses on improving State emergency preparedness planning and energy assurance capabilities, helping to ensure quick recovery and restoration from any energy supply disruptions. These awards were announced on August 12, and the State of Hawaii has been notified that it will receive $318,196 under this initiative.

Another initiative will provide grants to State public utility commissions, which play a key role in regulating and overseeing new electricity projects, including smart grid developments, renewable energy and energy efficiency programs, and storage projects. The funds will be used by States and public utility commissions to hire new staff and retrain existing employees to accelerate reviews of the large number of electric utility requests expected under the Recovery Act. The application period for these grants closes on August 31, and we expect to make awards soon after.

CONCLUSION

OE's smart grid activities are among our top priorities and crosscut virtually everything we do in electricity delivery and energy reliability. Our immediate attention is on the successful implementation of the two Recovery Act programs in smart grid investment grants and demonstrations. At the same time we are moving forward on smart grid R&D to accelerate development of the next generation of smart grid technologies, tools, and techniques. All of these efforts are aimed at modernizing the North American electric grid. We believe that grid modernization is paramount for achieving national energy, environmental, and economic goals for reductions in oil consumption and carbon emissions, as well as creation of new businesses and jobs for American workers.

This concludes my statement, Mr. Chairman. Thank you for the opportunity to testify. I look forward to answering any questions you and your colleagues may have.

Chairman INOUYE. I thank you very much. As you've noted, because of our dependence upon fossil fuels, Hawaii has been experimenting with alternative energy for many years now. For example, ocean thermal energy conversion at a time when other States have never heard about it.

We experimented with wind energy and used it on the North Shore of Oahu, and we've had much use out of solar energy, but we find that it's not quite sufficient, especially as we have the military here, which consumes a lot of energy.

Which brings about the undersea cable—how much of these stimulus funds have we spent for that?

Mr. PARKS. I don't have that exact amount on that, Mr. Liu may have that. I believe it's around $7 million, but we could verify that when it comes to——

Chairman INOUYE. Do you know what the total cost would be?

Mr. PARKS. Of the inter-island cable?

Chairman INOUYE. Yes.

Mr. PARKS. We're—we continue to try to evolve that, we don't have a final bill. We have some estimates in that—it's in the hundreds of millions. My guess—there are several parameters that are not picked, yet, for example, what is the carrying capacity of that cable, how many islands does it truly connect, how many loops do we need—all of those technical things have not yet been answered and all affect price.

And then we're seeing—with the price volatility on commodities like copper that, on any given day that price is changing, that we would get. Still, probably we're in the range of $600 to $800 million for a cable, as what we've identified, to date.

Chairman INOUYE. In other words, the funding challenge will be great?

Mr. PARKS. It's a huge funding challenge, and we're looking at opportunities to figure out how to do that. There are companies that will lend you the money to build and construct, but of course, want repayment for lending you that money to do that up front. And we are examining that.

Ultimately, it will come back to ratepayers and taxpayers. In the analysis that we've done, we've said, if you do business-as-usual in the State of Hawaii, it's going to cost lots of money, we are exporting $7 or $8 billion a year to buy oil every year, so you've got to balance what's—how do you make that investment? And if you have to make that investment up front, how do you minimize the impact to the ratepayer, and get the maximum advantage out of the system?

What we don't know, obviously, is the future price of oil. If it—our projections suggest that it will be cost effective to make the recommendations that we've made on the Hawaii clean energy initiative if oil stays above $75 a barrel. I think that's a reasonable bet to make, but it is a bet that will have to be made.

Chairman INOUYE. We have geothermal energy, which is something you don't have in most States, and I've been advised that the Big Island will be energy sufficient because of this, but they will have surplus, and they want to get into the undersea cable business, also.

So, do you think that our geothermal energy is that much in abundance?

Mr. PARKS. The outer islands have enough to be 100 percent electricity self-sufficient. The transportation sector creates a little more difficulty because you need biofuels when you use electricity as we look at future options.

So, given the cable capability, where Kauai is a little too deep, the channels between, to handle now. The Big Island, and Maui County could both export renewable energy to Oahu, using existing technology. Geothermal and bio-energy are both baseload technologies, so they're preferred technologies to the utility, because they know how to operate those within the system.

The balance will have to be, again, what's the investment and the benefit that's realized in a timely way, and how does that—how does the load growth for things like electric vehicles or for—as population grows over the next few decades, how does that impact, again, the investment decisions?

Chairman INOUYE. Thank you very much, Mr. Parks, you've been very helpful——

Mr. PARKS. Thank you, sir.

Chairman INOUYE. But we'll be submitting a few more questions, if I may.

Mr. PARKS. Absolutely, sir.

Chairman INOUYE. And, Mr. Theodore Liu.

STATEMENT OF THEODORE E. LIU, DIRECTOR, HAWAII DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM

Mr. LIU. Good afternoon, Chair Inouye.

Thank you very much for the opportunity of providing these comments on the progress of the State's obtaining energy funding from the American Recovery and Reinvestment Act.

If I may, I'd like to start by going slightly off-topic of energy, but still on the topic of Federal assistance for stimulating our economy.

The reason I was late for your hearing this morning, Senator, is that I was meeting with—together with Mike McCartney of HTA. The two largest Chinese travel companies that are in town, working on the inaugural direct flights from Beijing to Honolulu. And they had read about this hearing in the papers, and they asked me to specifically mention to you the role the Federal Government, the Departments of Homeland Security, State and Commerce in facilitating the obtaining of visas from a segment of travelers, high-end travelers that could represent thousands—if not tens of thousands—of new visitors to Hawaii, starting later on this fall. And that would be a tremendous boost to our economy, and the national economy, but clearly the Federal Government—they believe—has a role in helping facilitate that, too, and I wanted to make sure that I agreed with their request to transmit this to you.

Chairman INOUYE. The message has been received.

Mr. LIU. Thank you. That's what they had hoped.

Back on energy, the Recovery Act energy formula funding and competitive grant opportunities come at a uniquely opportune time for Hawaii. As Bill Parks has mentioned, since the Government and legislature announced Energy for Tomorrow in 2006, and with the Hawaii clean energy initiative, announced early last year in partnership with the Federal Department of Energy, we have a real opportunity to transform our energy systems, and in so doing, bring about energy security, self-sufficiency, economic vitality for the State, but also to act as a model for other States and nations.

Because energy for tomorrow and HCI preceded the ARRA, we viewed the funding opportunities in that context, and through that prism, and these funding opportunities are indeed an opportunity for us to catalyze concrete action on what, heretofore may have only been plans, and to accelerate work on plans already in implementation over the last many years.

In general, our plan is to deploy the Recovery Act energy formula grant, which is a subject of my testimony, to support Hawaii's energy transformation, already underway.

In summary, in terms of formula energy grants, Hawaii expects to receive a total of $47.38 million—that's only for the formula grants—and it's made up of—and it's included in my written testimony, $25.93 million for the State energy program, $15.07 million through the energy efficiency and conservation block grants, of which $5.5 million goes direct to the counties, and $9.6 million comes to the State, $4.04 million for the Weatherization Assistance Program, about $782,000 for the State electricity regulators assistance, $318,000 for enhancing our State government's energy assurance capabilities, and $1.236 million for State energy efficient's—efficient appliance rebate programs. Again, Senator, for a total of $47.3 million for formula grants.

Now, from the very beginning, through our discussions with the DOE and with your good office, we recognized that we were required to have a thoughtful and strategic and efficient plan to achieve the Recovery Act's purposes, and having had the benefit of HCI in place, we made reference to the activities already underway at the Federal Department of Energy, the National Labs, took advantage of a technical working group, because they had already been convened for the purposes of supporting HCI, talked to all of the existing organizations and agencies in town, including many supported by your office, that had existing programs underway, and endeavored to make full use of existing mechanisms and programs as a means of making sure that the funding efficiently and effectively moves into the market as soon as possible.

As a result, we have a plan which we believe integrates multiple Hawaii energy sectors across multiple funding sources, is consistent with, and is embedded within the HCI framework, has the benefit of stakeholder input, and is capable of efficient and effective implementation.

Now, our plan, which is submitted to you in writing, has a State energy office pursuing 25 separate programs funded by these 6 formula grants, the $47 million that I've referred to.

Now, out of that, about $27.6 million is allocated to 13 programs for energy efficiency, $6.65 million is allocated to 8 programs for renewable energy, including 5, specifically, to support the undersea cable in the amount of $4.74 million, and that can be found in section 3.2.1 of our plan that was submitted to you, $4.25 million is allocated to 2 programs in transportation, and $1.1 million is allocated to programs on energy assurance, again, for a total of $47.38 million.

Now, I will note, Senator, that out of that $47.38 million expected amount, we have been allocated $14.985 million—approximately $15 million, to date. And that consists of $12.96 million—about $13 million, or 50 percent of our State energy program. That was allocated on July 10, 2009, about 5 weeks ago. And $2.02 million—or about 50 percent of our Weatherization Assistance Program, which was released on August 12, 2 weeks ago, 2009. So those are the two funding amounts, totaling about $15 million that we've actually—we haven't received, but it's been allocated to us for us to draw down on from the Federal Department of Energy.

We've made applications for the rest of our formula grant monies, including the energy efficiency conservation block grants. And, Senator, I know that the Department of Energy is looking at those, together with thousands of other applications, nationwide, so we're all—together with other States and jurisdictions—waiting for notification on those grant monies.

Even though we only received this $15 million about 1 month ago, total, 1 month and about 2 weeks ago, I am pleased to report that due to the planning already undertaken by us through HCI, last week we signed an agreement with the public utility commission to allocate a total of $10.4 million to SAIC, which is the newly established energy efficiency utility of the State to undertake a broad range of energy efficiency retrofits in our Hawaii residents' homes, particularly in low-income communities. So, about $10.4 million has already been obligated, pursuant to an agreement utilizing an existing channel of the new energy efficiency utility.

Over the next 2 to 4 weeks, we anticipate issuing RFPs, Senator, for about $4.7 million for those five contracts that covered the undersea cable, which includes EIS work, and another $1.2 million for five additional contracts for energy efficiency. So we are moving right around, sir, in trying to make sure that as soon as we get notification from the DOE of our allocations, that we get those monies into programs, into existing mechanisms that can get those monies in the market right away.

Let me just end with a short summary of what we believe will be the impacts—the results and impacts of spending only this $47.9

million. And again, we have a mix, we believe, of direct, short-term impact—such as our funding for direct energy efficiency retrofits in our residents' homes, especially low income ones—and also longer term indirect impact, such as, for instance, if we are able to facilitate the development of the inter-island cable, it can lead to between 400 megawatts to 1 gigawatt of renewable energy generated and transmitted between our islands.

But based on our current analysis, implementation of the projects included in our expenditure plan will achieve the creation of 515 jobs. This is using the DOE's set national formula of $92,000 per job. We could be above that, we could be below that, but we decided that we're going to use the DOE's set formula.

We believe for the energy efficiency programs I've mentioned, 5,000 residences, Senator, particularly in low-income areas will be impacted with the plan's energy efficiency programs, and we estimate that that will generate $77.5 million in savings for the residents, for the actual residents of those homes, over the life cycle of those retrofits.

We also anticipate that 5 million square feet of businesses and government buildings will achieve an average of 30 percent energy savings as a result of the energy savings of these formula grants, again, that's businesses as compared to residences, which we believe will have 5,000 homes affected, and we believe that we will tip. Renewable energy projects are expensive, and this is not going to pay for a lot of renewable energy projects. Our strategy is to use the formula monies to select those projects that are on the cusp of getting done, on the cusp of becoming steel in the ground, and try to tip them toward being done, as opposed to only being planned.

And we're talking to our biggest sector in the State, Waikiki, about a district sea water air-conditioner cooling system, which we might invest in to buy-down the up-front cost, which would maybe enable them to save 100,000 megawatt hours and $25 million annually if that project gets done as a result of buying down the initial costs, and we're also—intend installing between three to four renewable energy projects putting about 20 megawatts of renewable projects online, and producing about 6,000 megawatt hours a year in renewable energy through these tipping point investments.

In transportation, our funding will enable the early adoption of 650 alternate fuel vehicles, including electric vehicles, and 650 charging stations, in the short term, leading we hope, to the long term of Chevy Volt, of Better Place, of all of the companies that are producing advanced transportation vehicles coming to Hawaii and making us a rollout platform for their new technologies.

And finally, on the ARRA funding, if we are able to tip that cable project into fruition, we believe that that will draw a total private sector investment of close to $1.5 to $2 billion, and more importantly, Senator, with the associated wind farms, we've estimated that if we do this project, we will avoid a projected $5.7 billion of exports of our cash to buy oil, has been displaced.

So, the long-term, indirect benefits are significant. If we are able to deploy the ARRA funds both directly and indirectly as this plan comes for.

So, again, ARRA comes at a really opportune time, it can really accelerate all of the work that Bill Parks at DOE and our Federal partners have been so helpful in helping us do, and we look forward to significant tangible results, and to be able to report that to you on a regular basis.

Thank you for the opportunity.

[The statement follows:]

PREPARED STATEMENT OF THEODORE E. LIU

The State Energy Office of the State of Hawaii Department of Business, Economic Development and Tourism appreciates the opportunity to submit to the Committee on Appropriations of the United States Senate the below information on Hawaii's plans for and status of expenditures of energy funding under the American Recovery and Reinvestment Act of 2009 (AARA).

This submission and the Department's oral comments will cover only the energy formula grant portions of ARRA. Competitive energy grant opportunities will be covered by others before your Committee, including the U.S. Department of Energy.

This submission is organized into the following sections:

Section 1: Hawaii's Total Energy Formula Funding under the American Recovery and Reinvestment Act of 2009.

Section 2: Strategic Approach for Building the Expenditure Plan.

Section 3: Formula Funding Expenditure Project Plan and Status.

1. HAWAII'S TOTAL ENERGY FORMULA FUNDING UNDER AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

Formula Energy ARRA Solicitations	Reference Number	HI Amount
Recovery Act—Energy Efficiency and Conservation Block Grants—Formula Grants.	DE–FOA–0000013	$15.07 million to State and counties
Weatherization Formula Grants—Recovery Act	DE–FOA–0000051	$4.04 million
Recovery Act—State Energy Program	DE–FOA–0000052	$25.93 million
Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency.	DE–FOA–0000091	$318,000
State Electricity Regulators Assistance	DE–FOA–0000100	$782,000
State Energy Efficient Appliance Rebate Program	DE–FOA–0000119	$1.236 million
Total Formula Funding		$47.38 million

The purposes of ARRA energy funding are "[T]o preserve and create jobs and promote economic recovery; to assist those most impacted by the recession; to provide investments needed to increase economic efficiency by spurring technological advances in science and health; to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and, to stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive State and local tax increases."

1.1. ARRA—Energy Efficiency and Conservation Block Grants (EECBG) (DE–FOA–0000013)

1.1.1. Purpose: The purpose of the EECBG program is to assist eligible entities in creating and implementing strategies to achieve the following:

—Reduce fossil fuel emissions in a manner that is environmentally sustainable and, to the maximum extent practicable, maximize benefits for local and regional communities.

—Reduce the total energy use of the eligible entities.

—Improve energy efficiency in the building sector, the transportation sector, and other appropriate sectors.

1.1.2. Status: Unlike SEP, for which the DOE had 56 grants to award, the EECBG program has over 2,000 grants to award. Hawaii's State and four county submissions have been received and are being reviewed by the DOE. No monies have been released; no date for release has yet been communicated.

1.2. Weatherization Formula Grants—Recovery Act (DE–FOA–0000051)

1.2.1. Purpose: The Weatherization Assistance Program (WAP) objective is to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential expenditures, and improve their health and safety. The WAP priority population is persons who are particularly vulnerable such as the elderly, persons with disabilities, families with children, high residential energy users, and households with high-energy burdens.

1.2.2. Status: The Hawaii WAP was awarded to the 50 percent level on August 12, 2009.

1.3. ARRA—State Energy Program (DE–FOA–0000052)

1.3.1. Goals: The existing goals of the long-standing State Energy Program (SEP) are to:

—Increase energy efficiency to reduce energy costs and consumption for consumers, businesses and government.
—Reduce reliance on imported energy.
—Improve the reliability of electricity and fuel supply and the delivery of energy services.
—Reduce the impacts of energy production and use on the environment.

The goals of the additional ARRA funds allocated to the SEP are to:

—Stimulate the creation or increased retention of jobs.
—Save energy (kWH/therms/gallons/BTUs/etc.).
—Increase energy generation from renewable sources.
—Reduce greenhouse gas emissions.

1.3.2. Status: Hawaii's SEP initial proposal, consisting of the required list of projected activities, was submitted to the Department of Energy on March 20, 2009. The initial award of 10 percent of the projected Hawaii ARRA SEP amount was received on April 21, 2009. The State's Comprehensive Application was submitted May 23, 2009. Fifty percent of the State's award was received on July 10, 2009.

1.4. Recovery Act—Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency (DE–FOA–0000091)

1.4.1. Purpose: The following activities shall be addressed when structuring projects under this funding opportunity:

—Create in-house expertise at the State level on energy assurance planning and resiliency, focusing on Smart Grid.
—Develop new, or refine existing, Energy Assurance Plans to incorporate response actions to new energy portfolios, including Smart Grid technologies.
—Revise appropriate State policies, procedures and practices to reflect the Energy Assurance Plans.
—Develop and initiate a process or mechanism for tracking the duration, response, restoration, and recovery time of energy supply disruption events.
—Train appropriate personnel on energy infrastructure and supply systems and the content and execution of energy assurance plans.
—Conduct energy emergency exercises (intra and interstate) to evaluate the effectiveness of the energy assurance plans.

1.4.2. Status: Hawaii's Energy Assurance proposal was submitted to the Department of Energy on July 27, 2009. Award has been announced, but not yet received.

1.5. State Electricity Regulators Assistance Funding (DE–FOA–0000100)

1.5.1. Purpose: ARRA funding for electricity sector activities and initiatives will significantly affect utility investment in the electric power sector. State Public Utility Commissions will be involved in implementing key facets of ARRA electricity-related initiatives. To ensure that PUCs can meet the increased demands caused by the increased workload required to fully address the electricity sector initiatives included in the ARRA, DOE intends to make funding available to PUCs to hire additional staff so they can ensure appropriate technical expertise will be dedicated to regulatory activities pertaining to ARRA electricity-related initiatives.

The intent of the funds made available through the ARRA State Electricity Regulators Assistance Initiative is to supplement, not supplant, normal State appropriations for PUC staffing, expressly for the purpose of addressing the significant increase in PUC workload created by ARRA electricity-related initiatives.

1.5.2. Status: The SERAF Proposal is due August 31, 2009. The Public Utilities Commission (PUC) will be applying for this grant, and the State Energy Office is coordinating with the PUC.

1.6. Recovery Act—State Energy Efficient Appliance Rebate Program (DE–FOA–0000119)

1.6.1. Purpose: The Appliance Rebate Program Objectives are:

—Save energy by encouraging appliance replacement through consumer rebates.
—Make rebates available to consumers.
—Enhance existing rebate programs by leveraging ENERGY STAR national partner relationships and local program infrastructure.
—Keep administrative costs low while adhering to monitoring and evaluation requirements.
—Promote State and national tracking and accountability.

—Use existing ENERGY STAR consumer education and outreach materials.

1.6.2.Status: Hawaii's ENERGY STAR initial proposal was submitted to the Department of Energy on Jul 31, 2009. The Comprehensive Application is due October 15, 2009. Ten percent award is expected September 30, 2009, with final award expected November 30, 2009.

2. STRATEGIC APPROACH FOR BUILDING THE EXPENDITURE PLAN

In January 2008, the State of Hawaii, in partnership with the U.S. Department of Energy (DOE), announced a historic initiative with the objective of achieving a fundamental transformation of the State's energy system. The Hawaii Clean Energy Initiative (HCEI) set the ambitious goal of moving Hawaii to 70 percent clean energy by 2030. The comprehensive thinking, analysis and planning to achieve this 70 percent clean energy objective preceded ARRA and has been underway for the last 20 months. The HCEI objective and related activities and projects provided the overarching policy and implementation framework for planning the expenditure of ARRA's energy funding. In turn, the ARRA energy funding has the potential to catalyze significant progress in many of the components of HCEI. Achieving this alignment required discussion among the HCEI partners and stakeholders.

Hawaii's ARRA funding expenditure plan was developed after broad consultation to ensure that it supplemented HCEI and other related initiatives already underway.

Specific attention was paid to the DOE's and national laboratories' annual operating plans to ensure that the State's spending plan complemented but did not duplicate intended Federal expenditures. Beginning in February and continuing through July 2009, meetings were held with energy sector stakeholders to request input on priorities and to build awareness of the spending plans. The plan also received input and guidance from HCEI Working Groups' recommendations and from HCEI partner projects. Potential technical support from the national laboratories was also factored in.

Central to this planning effort was focus on augmenting programs and processes already in place in order to speed deployment of the funds into the market. In April, meeting of Hawaii's key energy community members and agencies which are funding energy projects was held to construct a "landscape" of existing initiatives into which ARRA funding could be deployed. Briefings were provided by the Department of Defense, the University of Hawaii, the Pacific International Center for High Technology Research, electric and gas utilities, and State agencies such as the Department of Accounting and General Services and the Department of Hawaiian Home Lands, among others. The existing goals and budgets of these agencies were taken into consideration when drafting the ARRA plan in order to avoid redundant efforts.

The objective has been to create a plan which integrated multiple Hawaii energy sectors, each of which has multiple formula funding sources. Planning and analysis focused on identifying opportunities to enhance projects which fit Hawaii's strategic plan, which have a sound basis and rationale, and which can be implemented quickly to obtain measurable results. The complexity of Hawaii's energy system and programs makes a comprehensive effort challenging, but a thoughtful and inclusive approach, such as what was undertaken in developing this plan, is essential to its success.

The initial SEP submission, in March 2009, was approved by Governor Lingle, as was the final SEP submission in May. The SEP allows some flexibility to reallocate funding under certain circumstances.

3. FORMULA FUNDING PROJECT EXPENDITURE PLAN AND STATUS

FORMULA FUNDING PROJECT SPENDING PLAN SUMMARY

	Amount
Efficiency Programs	$27,652,685
Renewable Programs	$6,650,000
Transportation Programs	$4,250,000
Energy Assurance Programs	$1,100,000

3.1. Energy Efficiency

3.1.1. A total of $6,500,000 of ARRA SEP funding will be allocated to a Government and Residential Efficiency Program (GREP) that targets energy efficiency retrofits for State, county, and residential buildings. This includes upgrading energy efficiency measures such as lighting, solar water heating, and metering devices to inform occupants of their energy consumption on an instantaneous basis. Of this $6,500,000, $6,200,000 is allocated to the new Public Benefits Fund Administrator (PBFA) Hawaii Energy Efficiency Program (HEEP) programs for Honolulu, Hawaii, and Maui counties, and $300,000 is allocated to the Kauai Island Utility Cooperative (KIUC) for the county of Kauai. Specific breakdown as follows:

3.1.1.1. $762,500 of ARRA SEP funding will be allocated for the Commercial and Industrial Customized Rebate (CICR) program of the HEEP, a flexible program appropriate for the government (State and county) portion of this ARRA SEP funding. This program objective is to provide rebates for bundled technologies customized for specific customer needs. The customized approach also will allow rebates for technologies not on the standard list (such as efficient air conditioning equipment) of technologies. This funding will "buy-down" a portion of costs for government and create jobs in the construction and remodeling trade sectors. Importantly, the ARRA SEP amount will be matched by approximately $2.2 million non-Federal funds from the PBFA.

CICR—NON-PROFIT AND GOVERNMENT DIRECT INSTALL LIGHTING PROGRAM

Project Description:
—Direct Install of Office Lighting Retrofits to Government Organizations.
—Retrofit of up to 15 Fixtures with Low-Wattage T8s and High Performance ballasts per project.
—Installation of 2 LED Exit Signs.

RFP will be issued to Trade Allies to find and install equipment to qualify participants. Media announcements will be made to find qualified participants

ENERGY SAVINGS

	kW	kWh
First Year	346	1,642,323
Life of the measure		30,600,881

COST SAVINGS

Per Electrical Unit Cost (July 2009)	$0.19/kWh
Annual Energy Cost Savings	$313,684
Lifecycle Energy Cost Savings	$5,844,768

COST EFFECTIVENESS

$/kWh First Year Saved	$0.3714
BTU Saved/$1,000 Spent (>10 Mil.)	29,930,665
Purchases Motivated	$610,000
$/kWh Life of Measures	$0.0278
Life of Measures BTU Saved/$1,000 Spent (>10 Mil.)	76,474,826

BUDGET

ARRA SEP Funding	$762,500
Hawaii Energy Efficiency Program Incentive Expenditure	$87,143
Hawaii Energy Efficiency Program Match	$2,100,000
Total Program Spend	$2,949,643

EMPLOYMENT

9.2 FTE Jobs Created	1 job per 92,000 ARRA funding per DOE job creation formula

3.1.1.2. $5,437,500 ARRA SEP funding allocated to the Energy Solutions for HEEP's Home (ESH) program, targeted at the residential sector. Its purpose is to encourage residential customers to reduce their home electricity consumption by increasing efficiency through audits, equipment tune ups and the replacement of older, less efficient appliances with more energy efficient models, including ENERGY STAR® rated lighting, cooling and other appliances. This program will directly reduce energy costs for consumers.

REWH—Residential Solar Water Heater Revolving Fund Low Interest Loan

Project Description:
—Zero down, $58 per Month, 48-Month Loans for Solar Water heaters
- —Family Sizes of 4 or more;
- —90 percent ($4,095) of Federal and State Tax Refund used as Payback Balloon Payment at 12th Month;
- —During delivery, install Energy Savings package of water and lighting efficiency devices;
- —1.5 percent Interest to cover Bank Administration Cost;
- —$7,000 average System cost; 550 solar water systems installed via initial funding; 3,918 solar waste systems over life of the program;
- —Initial loans by PBFA will total $3,850,000; with expected (10 percent) defaulted loans, expect to be able to loan out $27,400,000 over life of program.

ESH—Residential Home Usage Monitoring Systems

Project Description:
—Direct Install Home Usage Wireless Monitors;
—Statistically selected homes in Hawaii; and
—Installation of Energy Savings package of 5 CFLs, 1 LED, 2 Showerheads, 3 Aerators.

ENERGY SAVINGS

	kW	kWh
First Year	437	2,761,695
Measure Lifecycle Savings	2,331	85,576,136

3.1.1.3. $300,000 of ARRA SEP funding is allocated to KIUC for customer energy efficiency rebate programs for the County of Kauai for government and residential programs on Kauai. This expenditure is expected to have an equivalent impact as funding expended via the PBFA in 3.1.1.2 and 3.1.1.3.

Using existing programs speeds the time of getting funding into the marketplace and communities, and leverages the contract and infrastructure already in place for managing these programs. The Demand Side Management programs are well structured to process SEP funding for efficiency programs; the PUC is very supportive and is amending its contract with the PBFA/SAIC to incorporate ARRA funds for energy efficiency improvements, and supports using the KIUC DSM Program. The PBFA/SAIC also is enthusiastic in implementing these programs. These funds will meet the objectives of ARRA of reducing energy consumption for government, businesses, and residents, as well as creating jobs, especially via CICR.

3.1.2. $3,800,000 of Weatherization Assistance Program (WAP) funding will be combined with $500,000 of ARRA SEP funding and approximately $250,000 of PBFA funding to "weatherize" low income homes. The State Energy Office has worked with the WAP under the State Department of Labor and Industrial Relations (DLIR) Office of Community Services (OCS) to collaborate with the PUC and Hawaii Energy Efficiency Program to use their current contract with nonprofits to install solar water heaters and compact fluorescent lights (CFLs), alongside the audit program conducted by the Hawaii Energy Efficiency Program. OCS's original contract and program included only Solar Water Heaters and CFLs; the DOE asked for additional measures. HEEP is contributing audits in conjunction with OCS measures, and OCS requested additional support from State Energy Office. Of the list of appliance replacements recommended by DOE, the State Energy Office has recommended OCS focus on ENERGY STAR refrigerators coupled with a mandatory refrigerator disposal program, for simplicity and impact to household energy consumption. This program is expected to "weatherize" a minimum of 750 low income homes. According to OCS, 37 percent of Hawaii homes are eligible for this benefit, with over 35 percent average electricity bill savings per household expected.

HAWAII JOINT WEATHERIZATION PROGRAM

Project Description:
—750 low income homes will receive:
  —Solar Water Heater (funded by WAP);
  —Residential lighting efficiency measures (funded by WAP);
  —Residential appliances (funded by SEP); and
  —Audit and 1 year verification monitoring (funded by PBFA).

3.1.3. $200,000 of ARRA SEP funding to co-invest in the Waikiki Sea Water Air Conditioning project startup. The start-up phase will focus on Waikiki and will expedite implementation, attract financing, and provide specific information for high efficiency/renewable energy application of sea water air conditioning for Waikiki hotels, the Hawaii Convention Center, and other nearby appropriate facilities. These funds will be "matched" by an expected $400,000 of private and other Federal funding. Funding this start-up will accelerate this project moving from concept to construction.

3.1.4. $742,000 ARRA SEP funding allocated to energy efficiency assistance for local businesses, including in the hotel sector. This program will "buy-down" the upfront costs of local businesses and hotels making decisions on the energy efficient investments. Through contracts with local energy engineering firms, the State Energy Office will provide technical assistance and information on ENERGY STAR, LEED, or general energy efficient practices and equipment. Break-down of this amount is as follows:

3.1.4.1. $75,000 of ARRA SEP funding allocated to the Hospitality ENERGY STAR Program to certify and verify Hawaii hotels as ENERGY STAR. This will provide technical assistance to hotels in response to the request of hotel engineers and managers needing guidance to reach ENERGY STAR label, certification and verification as needed; and provided financing information and assistance to drive energy efficiency into the hospitality sector. The ENERGY STAR designation is well-recognized and highlights those hotels conservation measures and provides a competitive impetus for those that have not. Many hotels lack the staffing and expertise to assess energy performance of their properties. Buildings that are certified ENERGY STAR are in the upper 25 percent nationwide of buildings of similar type. Currently, there are seven hotels with ENERGY STAR awards and nine have participated in the State Energy Office's Green Business Program to incorporate green business practices such as energy efficiency and recycling. These hotels typically save 10–40 percent on energy use and 20 percent on water use. ENERGY STAR is a step up from our Green Business Program and requires meeting a national standard on energy efficiency for hotels.

HAWAII HOSPITALITY ENERGY STAR

12 Hotels projected to achieve ENERGY STAR status:
—2 million square feet of floor space rated ENERGY STAR (top 25 percent in country)
—10–40 percent reduction in energy consumption
—20 percent reduction in water consumption

3.1.4.2. $367,000 of ARRA SEP funding allocated to technical assistance for government and businesses. As with the above technical assistance for the Hospitality ENERGY STAR Program described above, this effort will provide technical assistance and training to State and county agencies, nonprofits, and businesses to meet ENERGY STAR Standards to accelerate adoption. Additionally, this effort will include technical assistance and training to building code officials to expedite the adoption of the updated building code, IECC 2009, which we are targeting for 30 percent above IECC 2006 which was recently adopted by the State Building Code Council. Technical assistance also may be provided to complement GREP and the Hospitality ENERGY STAR Program.

HAWAII ENERGY EFFICIENCY TECHNICAL ASSISTANCE

Goal of reaching 30 percent above IECC 2006 standards over the next 2 years:
—15 new construction buildings,
—15 major renovations, and
—3 million square feet of floor space.

3.1.4.3. $300,000 of ARRA SEP funding allocated to training and adoption of LEED Standards program, including LEED training for State employees and design professionals, green building technical assistance of State and other projects, data collection and analysis, and case studies development. This program will help accelerate adoption of LEED green building standards. As a result of our conducting training and technical assistance, there are now over 20 LEED Accredited Professionals who have taken the LEED exam, passed, and been credentialed. Previous to our providing training, there was only one State employee who was a LEED Accredited Professional. There are now over 770 LEED APs in Hawaii and 147 LEED registered projects; prior to our providing training to design professionals throughout the State there were only about 50 LEED APs and about 16 LEED registered projects. Therefore, more personnel are knowledgeable in implementing LEED buildings which can be as much as 30 percent more efficient than buildings not designed to LEED. The estimated outcome of this project will be increasing the number of LEED Accredited Professional to 1500 and 300 LEED registered projects, which will be 30 percent more energy efficient than today's energy code projects.

LEED STANDARDS TRAINING PROGRAM

Goal of training next generation of architects and engineers for meeting HLS 2009 Act:
—155 Energy Efficiency Portfolio Standard:
—1,500 LEED Accredited Professionals
—400 LEED registered projects

3.1.5. $3,000,000 of ARRA Block Grant funding allocated to the State of Hawaii Department of Hawaiian Home Lands will implement the "Homestead Energy Program." DHHL anticipates partnering with a community development non-profit that is experienced in assisting DHHL homestead communities. The project will cover 400 homes and will be conducted over a period of 18 months consisting of: Conducting home energy audits and assessments; delivering energy efficiency and conservation education/training; and retrofitting/installing homes with solar water heating systems and CFLs.

EECBG HOMESTEAD ENERGY PROGRAM

400 Homestead Homes, each with:
—Home energy audits,
—Solar Water Heaters,
—CFLs, and
—Energy Efficiency and Conservation Education and Training.

3.1.6. $3,000,000 of ARRA Block Grant funding allocated to the State Department of Accounting and General Services' 10-building, 1 million square foot performance contract which is estimated to cost about $35 million to make energy efficiency improvements. The project is designed to increase energy efficiency and building performance, accelerate reducing life cycle costs of operations, improve indoor environmental quality for occupants, address the deferred repair and maintenance backlog of projects, and leverage available annual cash flow from energy savings. The overall project will save about $73,000,000 over the next 20 years.

EECBG DAGS PERFORMANCE CONTRACT AUGMENTATION

Funding for $3 million of a $35 million project:
—10 buildings,
—1 million square feet,
—Over 30 percent energy savings, and
—$73,000,000 savings over 20 years.

3.1.7. $3,000,000 of ARRA Block Grant funding allocated to the Commercial and Industrial Customized Rebate (CICR) program of the HEEP, a flexible program appropriate for the government (State and county) and nonprofit building portion of this Block Grant funding. This program objective is to provide grants for bundled technologies customized for specific customer needs. The customized approach also will allow rebates for technologies not on the standard list (such as efficient air conditioning equipment) of technologies. This funding will reduce costs for non-profits and government agencies and create jobs in the construction and remodeling trade sectors. This ARRA Block Grant funds will also support the City and County of Honolulu, the County of Maui, and the County of Hawaii.

3.1.8. $200,000 of ARRA Block Grant funding allocated to KIUC through DBEDT to offer the customer energy efficiency rebate programs for the County of Kauai for government and nonprofit buildings on Kauai. These funds are in addition to the $300,000 KIUC customer energy efficiency project listed in 3.1.1.3, but are included in the negotiations with KIUC and the PUC, and will be added to the project when available.

3.1.9. $1,235,985 of the ARRA ENERGY STAR Program funding allocated to the State Energy Efficient Appliance Rebate Program (SEEARP) supporting GREP (see 3.1.1) for Honolulu, Maui, and Hawaii Counties (Kauai is supported by 3.1.8 above). Under GREP, this program will focus on swapping out inefficient home refrigerators (which represent about 14 percent of residential consumption) and replacing them with high efficiency ENERGY STAR refrigerators. Since many homes have two inefficient refrigerators, our program will offer two for one: Customers will turn in both refrigerators for a rebate to purchase an ENERGY STAR refrigerator. Our program will include mandatory recycling so the old refrigerators may not be reused. A home efficiency package of water conservation devises and compact fluorescents will be included. A second major program will include installing two ENERGY STAR ceiling fans in exchange for old air conditioning units. A home efficiency package will be included. Mandatory recycling will also be part of the program.

The Initial Grant Application was submitted online by DBEDT on July 31, 2009, to the USDOE via the Idaho Energy Office. The Comprehensive Application is due on October 15, 2009.

STATE ENERGY EFFICIENT APPLIANCE REBATE PROGRAM (SEEARP)

$1,235,985:
—11.5 million kilowatt hours expected savings annually;
—106.6 million kilowatt hours over life of project;
—$21.3 million savings to consumers estimated over the life of the measures; and
—9 jobs created or retained.

3.1.10. $5,474,700 in County Block Grant Funding ($737,800 for Hawaii County, $3,863,700 for Honolulu County, $267,900 for Kauai County, $605,300 for Maui County) of ARRA Block Grant funding will be provided directly to counties for energy efficiency and renewable energy projects in accordance with individual county needs and their individual applications subject to approval by the Department of Energy.

3.2. Renewable Energy

3.2.1. $4,740,000 of ARRA SEP funding will be used to support the development of an inter-island undersea cable to interconnect the island of Oahu with one or more islands in the County of Maui. This project will require a significant amount of initial investment in the form of studies, data collection, analysis, and outreach, as well as staff with knowledge in permitting, transmission, project management, contracting, and grants. Break-down of contracted amounts is as follows:

3.2.1.1. The Undersea Cable Support–Special Attorney General Contract will aid DBEDT in the development of the interisland cable by advising DBEDT on legal, regulatory, business, financing, and strategic decisions. This funding will reduce risk for the State and consumer, and shorten the timeline for getting the undersea cable in place. ARRA SEP funding of $200,000 are allocated for this contract.

CABLE SPECIAL ATTORNEY GENERAL

Reduces legal risk for State and consumer in structuring cable contract.
Reduce timeline for implementing cable plan of action.

3.2.1.2. The Subject Matter Expert Contract will aid DBEDT in the development of the interisland cable by advising DBEDT in financing and procurement issues for the project and providing advice based on experience in development of undersea power transmission cables. This funding will reduce risk for the State and consumer, and shorten the timeline for getting the undersea cable in place. ARRA SEP funding of $500,000 are allocated for this contract.

CABLE SUBJECT MATTER EXPERT

Reduces technical and contractual risk for State and consumer in structuring cable contract and funding.
Reduce timeline for implementing cable plan of action.

3.2.1.3. The Request for Information (RFI) Contract will enable DBEDT and the Hawaiian Electric Company (HECO) to collect information regarding the financing and development of the interisland cable via a cable developers' conference. The results of the RFI will be used in the Request for Proposal (RFP) for the interisland cable. This will directly reduce ambiguity and cost for the cable. ARRA SEP funding of $50,000 are allocated for this contract.

REQUEST FOR INFORMATION

Reduces ambiguity for Request for Proposal.
Reduces cost and time to construction of cable.

3.2.1.4. Request for Proposal (RFP) Contract: DBEDT/HECO will develop the financial, technical, regulatory, and environmental requirements for the interisland cable. ARRA SEP funding of $500,000 are allocated for this contract.

REQUEST FOR PROPOSAL
Ensures legal, procurement, and technical requirements met in RFP solicitation.
Reduces risk in solicitation.

3.2.1.5. The Environmental Impact Statement (EIS) Contract will perform required environmental, cultural, and biological studies required for the development of the EIS for the interisland cable and the required grid upgrades on Oahu; support the drafting of required environmental assessment components; host stakeholder meetings on Molokai, Lanai, Maui, and Oahu. This will directly shorten the critical path for the deployment of the undersea cable. ARRA SEP funding of $3,690,000 are allocated for this contract.

ENVIRONMENTAL IMPACT STUDY
Directly works critical path issues while cable procurement process proceeds.
Leverages State policy position for permitting and EIS analysis.

3.2.2. To meet at least 40 percent of Hawaii's energy needs with renewable sources (solar, wind, wave, OTEC, geothermal, hydropower, and bioenergy) by 2030, multiple successful projects—properly sited, cost-effective, effectively permitted and interconnected—will be needed. For projects to be successful, project developers, decision-makers, regulators, landowners, the media, and the public need access to credible, timely, up-to-date information on Hawaii's resources, barriers, requirements, technologies, expertise, successes, failures, and opportunities.

3.2.2.1. $375,000 or ARRA SEP funding for an Online Permitting Systems, contracted with a local professional services provider to develop a coordinated, secure, on-line permitting portal for renewable energy projects. Successful examples exist in other States. Tasks include working with agencies in Federal, State and county government; developing front end and back end infrastructure; testing and implementation. This will provide a simple, easy to understand point of entry for renewable energy project developers, and shorten and simplify the permitting process for projects. Portal will provide an automated process for permit selection and coordination.

ONLINE PERMITTING PORTAL
Provides automated permit selection and coordination.
Simplifies and provides transparency for permitting process for renewables.

3.2.2.2. $200,000 of ARRA SEP funding allocated for initial funding of the Expedited Permitting Account to support the coordinated permitting process prior to the collection of developer fees. The funds will be used to cover up-front costs for expediting permitting projects including performing required engineering studies, data collection, and site assessments.

RENEWABLE ENERGY FACILITATOR ACT 207 INITIAL FUNDING
Provides initial funding for Act 207 processes.
Reduces timeline for initial large renewable processes.

3.2.2.3. $1,135,000 of ARRA SEP funding will be allocated to renewable energy project funding to accelerate the development of renewable energy projects by: (1) providing funding to "tip" renewable energy projects currently in the pipeline toward accelerated completion; and (2) documenting the projects, to provide information, guidance, and success stories to other project developers and the public.

RENEWABLE ENERGY PROJECT FUNDING
Direct acceleration of 3–4 renewable energy projects.

3.3. Transportation Energy

TRANSPORTATION ENERGY DIVERSIFICATION PROGRAM
Long Term Objective: 40 percent renewable energy by 2030. 2012 Objective: at least 650 vehicles and charge stations in use; statewide non-petroleum refueling and recharging networks established; several makes and models of non-gasoline vehicles available. Foundation firmly established for non-petroleum vehicles and fuels. 57 jobs created or retained directly through ARRA funding (per DOE job creation formula).

3.3.1. $3,750,000 of ARRA SEP funding allocated to transportation energy diversification program to work with government and industry partners to develop a plan for rapid transformation of the energy demands of Hawaii's transportation sector. Grants will be provided to early adopters of commercially available technologies, including vehicles and infrastructure. Act 156 of the 2009 Legislature authorizes such a grant program. Result: 625 vehicle grants ($5,000 per grant) and chargers (estimated $1,000 cost per charger) funded. This allocation between grants and charging stations may be adjusted based on the needs of the market in this highly dynamic time for electric and other advanced technology vehicles.

3.3.2. $500,000 of ARRA SEP funding allocated to alternative fuel vehicle and State infrastructure project will support State infrastructure and vehicle fleet demonstrations and transformation, providing funds for vehicles and infrastructure. Result: 25 vehicles (with $19,000 per vehicle) and 25 charge stations (at an estimated $1,000 per charging station) for the State.

3.4. Energy Assurance

ENERGY ASSURANCE FORMULA GRANTS
$1,100,000. Supplements not Supplants current State Energy Office and Public Utility Commission work. Increase expertise in regulatory and energy assurance issues related to Smart Grid. Provides for increased training and staff capability with new technology.

3.4.1. $782,000 provided under State Electricity Regulators Assistance Funding (SERAF) will improve the State Public Utility Commission's (PUC's) ability to gain the expertise required to handle increasingly complex issues associated with Smart Grid technology and the associated regulatory issues. The SERAF program aims to ensure that PUCs can meet the increased demands caused by the increased workloads through the hiring of additional staff. This goes to ensure appropriate technical expertise will be dedicated to regulatory activities pertaining to Recovery Act electricity-related initiatives. The Hawaii PUC will be applying for this grant by the August 31, 2009 due date.

3.4.2. $318,000 provided under Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency Grant will create expertise at the State level on energy assurance planning and resiliency, focusing on Smart Grid; support development of energy assurance planning and plans; train personnel on execution of energy assurance plans; and fund energy emergency exercises to evaluate the effectiveness of the energy assurance plans. Hawaii's Energy Assurance proposal was submitted on July 27, 2009. The awards have been announced, but not yet received.

3.5. Projected Timeline

Week of March 9

Solicitation opens for ARRA SEP Grant (DE–FOA–0000052) applications on March 12, 2009. State of Hawaii allotted $25,930,000.

Week of March 16

DBEDT–SID submits Initial Application for ARRA SEP Grant (DE–FOA–0000052) online on March 20, 2009.

Week of March 23

Solicitation opens for ARRA Block (Energy Efficiency and Conservation Block Grant) on March 26, 2009. State of Hawaii allotted $9,593,500.00.

Week of April 20

State of Hawaii receives 10 percent of its ARRA SEP grant ($2,593,000) on April 21, 2009. ARRA SEP funds will be disburse in steps. This allotment funded administrative costs only.

Week of May 18

DBEDT–SID submits online the Comprehensive Application for ARRA SEP Grant (DE–FOA–0000052) on May 23, 2009.

Week of May 25

GREP: Develop project concepts. (3.1.1)

CICR: Begin discussions with SAIC/HEEP on commercial and industrial customized rebate program for installation of non-standard energy efficiency technologies. (3.1.1.1)

ESH: Begin discussions with SAIC/HEEP on energy solutions for the home program to encourage residential customers to reduce electricity consumption. (3.1.1.2)

Hospitality ENERGY STAR: Narrow scope to possible projects. (3.1.4.1)

Gov, Business, NP ES and Code Adoption: Determine possible scope. (3.1.4.2)

Training and Adoption of LEED: Develop project concepts. (3.1.4.3)

DHHL: Continue discussions on possible projects, funding. (3.1.5)

DAGS: Continue discussions on possible projects, funding. (3.1.6)

DBEDT Block: Begin preliminary discussion on scope, possible projects and partners. (3.1.7)

CABLE EIS: Met with NOAA and MMS to discuss Federal permitting requirements for the Interisland Cable. (3.2.1.5)

Week of June 1

KIUC: Inquire about possible projects. (3.1.1.3 and 3.1.8)

HSWAC: Determine project scenarios and partners. (3.1.3)

Hospitality ENERGY STAR: Identify Federal requirements. (3.1.4.1)

Gov, Business, NP ES and Code Adoption: Identify Federal requirements. (3.1.4.2)

DHHL: Identify Federal requirements, evolve project concepts. (3.1.5)

DAGS: Identify Federal requirements; develop project concepts. (3.1.6)

DBEDT Block: Review Federal requirements. (3.1.7)

Week of June 8

GREP: Contact possible partners; discuss possible projects. (3.1.1)

CICR: Continue discussions with SAIC/HEEP on rebate program for commercial and industrial customized installation of non-standard energy efficiency technologies. (3.1.1.1)

KIUC: Develop project concepts. (3.1.1.3 and 3.1.8)

WAP: Attend organizational meeting with OCS; discuss WAP grant requirements and ways DBEDT SID can assist. (3.1.2)

Hospitality ENERGY STAR: Determine project partners and concepts. (3.1.4.1)

Gov, Business, NP ES and Code Adoption: Identify stakeholders, partners and projects. (3.1.4.2)

Training and Adoption of LEED: Identify project partners; focus scope. (3.1.4.3)

DHHL: Focus project proposals and deliverables. (3.1.5)

DAGS: Focus project proposals and deliverables. (3.1.6)

DBEDT Block: Focus on viable projects and partners. (3.1.7)

CABLE EIS: Meet with MMS, Army Corps, NOAA. (3.2.1.5)

Week of June 15

GREP: Identify stakeholders; expand strategic planning. (3.1.1)

ESH: Continue discussions with SAIC/HEEP on energy solutions for the home program to encourage residential customers to reduce electricity consumption. (3.1.1.2)

KIUC: Determine project requirements and Federal reporting. (3.1.1.3 and 3.1.8)

WAP: Continue to refine project concepts with OCS. (3.1.2)

HSWAC: Determine project scope and focus on realistic goals. (3.1.3)

Hospitality ENERGY STAR: Focus scope on identifying hotels that most likely will qualify for ENERGY STAR award. (3.1.4.1)

Gov, Business, NP ES and Code Adoption: Begin preliminary draft of RFP. (3.1.4.2)

DHHL: Finalize project proposals. (3.1.5)

DAGS: Finalize project proposals. (3.1.6)

DBEDT Block: Expand possible sub-recipient scenarios. (3.1.7)

Week of June 22

DBEDT–SID submits online the application for the ARRA Block Grant (EECBG) on June 25, 2009.

GREP: Continue to discuss wide range of projects for government, non-profits, and residential sectors. (3.1.1)

KIUC: Begin discussing proposals with Randy Hee, KIUC Pres/CEO. (3.1.1.3 and 3.1.8)

WAP: Assist OCS in focusing scope on energy efficiency and “big bang” items. (3.1.2)

HSWAC: Begin preliminary draft of RFP. (3.1.3)

Hospitality ENERGY STAR: Begin developing draft RFP. (3.1.4.1)

Training and Adoption of LEED: Begin draft of RFP. (3.1.4.3)

DHHL: Submit proposals to USDOE in EECBG application. (3.1.5)

DAGS: Submit proposals to USDOE in EECBG application. (3.1.6)

Week of June 29

GREP: Identify Federal requirements. (3.1.1)

ESH: Focus scope on energy solutions for the home program. (3.1.1.2)

WAP: Discuss with OCS and PUC project plans. (3.1.2)

Hospitality ENERGY STAR: Continue to evolve draft RFP. (3.1.4.1)

DHHL: Prepare draft MOA. (3.1.5)

DAGS: Prepare draft MOA. (3.1.6)

DBEDT Block: Further discussions on expanded sub-recipient scenarios. (3.1.7)

Week of July 6

On July 10, 2009, USDOE informs us that Hawaii’s ARRA SEP proposal was approved as amended. Hawaii received 40 percent more funding ($10,372,000), bringing the total amount to 50 percent ($12,965,000).

GREP: Begin developing RFP. (3.1.1)

CICR: Focus scope with SAIC/HEEP on rebate program for commercial and industrial customized installation of non-standard energy efficiency technologies. (3.1.1.1)

Gov, Business, NP ES and Code Adoption: Continue to develop draft RFP. (3.1.4.2)

CABLE RFI: Develop RFI contract with HECO for the cable developers conference. (3.2.1.3)

Week of July 13

HSWAC: Continue work on RFP. (3.1.3)

Training and Adoption of LEED: Continue to evolve RFP. (3.1.4.3)

DHHL: Continue to work on draft MOA. (3.1.5)

DAGS: Continue preparation of draft MOA. (3.1.6)

SEEARP: State Energy Efficient Appliance Rebate Program (SEEARP) formula grant FOA announced on July 14, 2009. $1,235,985 allotted to State of Hawaii. SID begins work on the Initial Application, due on August 15, 2009. (3.1.9)

CABLE: Form selection committee for SDAG contract. (3.2.1.1)

CABLE RFI: RFI contract for cable developers conference sent to DBEDT ASO. (3.2.1.3)

Week of July 20

ESH: Identify Federal mandates with SAIC/HEEP on energy solutions for the home program to encourage residential customers to reduce electricity consumption. (3.1.1.2)

Design discussions with OCS and PUC for Weatherization program. (3.1.2)

SEEARP: Finalize partners and Initial Application. Oahu, Maui and Big Island counties targeted for projects in support of GREP. (3.1.1) (3.1.9)

CABLE SDAG: Selected SDAG for the cable project—Cliff Higa from Kobayashi Sugita and Goda—Begin contract negotiations. (3.2.1.1)

Week of July 27

GREP: Discussions with the PUC and SAIC on program measures and procedures required to transfer funds for use of ARRA funds for government, nonprofits, and residential—completed (3.1.1)

ESH: Develop project concepts with SAIC/HEEP on energy solutions for the home program to encourage residential customers to reduce electricity consumption. (3.1.1.2)

WAP: Meeting with SAIC, PUC, OCS, HSEO, and CAPs to form working group—completed. (3.1.2)

DBEDT Block: Discuss project potentials and procedures. (3.1.7)

SEEARP: Submit Initial Application Idaho Energy Office on July 31, 2009. (3.1.9)

CABLE RFI: RFI contract for cable developers conference sent to SPO for sole source advertisement. (3.2.1.3)

Week of August 3

GREP: Prepare draft MOA for PUC and PBFA/SAIC review. Negotiate MOA with SAIC/PBFA and option of funding programs through PBFA. (3.1.1)

CICR: Identify Federal mandates with SAIC/HEEP on rebate program for commercial and industrial customized installation of non-standard energy efficiency technologies. (3.1.1.1)

KIUC: Discuss GREP with KIUC (Randy Hee, President/CEO)—completed. (3.1.1.3 and 3.1.8)

Prepare draft MOA for OCS. (3.1.2)

HSWAC: Review draft RFP; update for ARRA terms and conditions and reporting. (3.1.3)

HSWAC: Review draft RFP with COS; incorporate ARRA terms, conditions and reporting. (3.1.3)

DHHL: Revise draft MOA. (3.1.5)

DAGS: Continue draft MOA for DAGS. (3.1.6)

DBEDT Block: Begin preliminary draft MOA for SAIC. (3.1.7)

CABLE RFI: RFI contract for cable developers conference sent to SPO for advertisement of sole source justification of using HECO. (3.2.1.3)

Week of August 10

GREP: PUC/PBFA review MOA. (3.1.1)

ESH: Discuss proposals with SAIC/HEEP on energy solutions for the home program to encourage residential customers to reduce electricity consumption. (3.1.1.2)

HSWAC: Complete draft RFP; evaluation committee proposal, evaluation forms and route for final review. (3.1.3)

Hospitality ENERGY STAR: Draft RFP, pending receipt of ARRA RFP template with State of Hawaii, Federal and ARRA reporting requirements. (3.1.4.1)

Gov, Business, NP ES and Code Adoption: Complete draft RFP, evaluation committee proposal, evaluation forms and route for final review. (3.1.4.2)

DHHL: Review MOA. (3.1.5)

DAGS: DAGS Review MOA. (3.1.6)

SEEARP: Continue to work with Oahu, Maui and Big Island counties on prospective projects in support of GREP (3.1.1). Prepare Comprehensive Application. (3.1.9)

CABLE: SDAG Finalize contract terms, begin work on determining regulatory and financing issues relative to the development of the Interisland Cable. (3.2.1.1)

CABLE SME: Develop selection committee for the SME contract. (3.2.1.2)

CABLE EIS: Develop selection committee for the EIS RFP. (3.2.1.5)

Online Permitting: Meet with Department of Health (DOH) to determine requirements for RFP and form selection committee. (3.2.2.1)

Transportation: Update vehicle purchase guidelines. Meet with State agency transportation energy lead by example group. (3.3.2)

Week of August 17

GREP: Execute MOA with PUC; PUC initiate contract amendment with SAIC. (3.1.1)

CICR: Discuss proposals with SAIC/HEEP. Receive SAIC/HEEP form for this program. (3.1.1.1)

KIUC: Receive draft proposal from KIUC. (3.1.1.3 and 3.1.8)

- —Request to SPO to get an exemption to 103D (Form 7) for a contract to KIUC for GREP programs (depends on receipt of KIUC proposal);
- —Complete draft contract for KIUC and forward draft contract for KIUC review.

WAP: Receive draft OCS MOA from OCS and revise as appropriate. Send to DBEDT ASO/C with AG review. (3.1.2)

HSWAC: Complete final draft of RFP, appointment of evaluation committee with evaluation form; meeting of evaluation committee to review RFP and evaluation criteria. (3.1.3)

Hospitality ENERGY STAR: Establish proposal review committee and review the proposal evaluation form with ASO's review and approval. Finalize RFP. (3.1.4.1)

Gov, Business, NP ES and Code Adoption: Complete final draft of RFP, appointment of evaluation committee with evaluation form; meeting of evaluation committee to review RFP and evaluation criteria. (3.1.4.2)

DHHL: Receive draft MOA from DHHL and revise as appropriate; send to DBEDT ASO/C and AG for review. (3.1.5)

DAGS: Receive draft MOA from DAGS and revise as appropriate; send to DBEDT ASO/C and AG for review. (3.1.6)

CABLE SME: Formalize selection committee for the Interisland Cable SME RFP. Meet to discuss requirements and selection criteria. Draft contract for the Interisland Cable SME RFP. (3.2.1.2)

CABLE RFI: Receive approval of sole source justification to use HECO for contract from SPO. (3.2.1.3)

CABLE EIS: Formalize selection committee for the EIS RFP. Meet to discuss requirements and selection criteria. (3.2.1.5)

Online Permitting: Develop requirements for RFP. (3.2.2.1)

Expedited Permitting Account: Fund the account with ARRA funding up to $200,000. (3.2.2.2)

Week of August 24

ESH: Begin development of draft SAIC/HEEP MOA on energy solutions for the home program to encourage residential customers to reduce electricity consumption. (3.1.1.2)

KIUC: Prepare final contract and send for ASO contract/AG review, approval for final. (3.1.1.3 and 3.1.8)

HSWAC: Send RFP for contract/AG review, approval for issue. (After RFP is issued estimate 3 months for advertising, evaluating proposals, approvals of contract.) Contract will be issued around end of November. (3.1.3)

Hospitality ENERGY STAR: Issue RFP with ASO's, AG's and SPO's review and approval. (3.1.4.1)

Gov, Business, NP ES and Code Adoption: Send RFP for contract/AG review, approval for issue (After RFP is issued estimate 3 months for advertising, evaluating proposals, approvals of contract). Contract will be issued around end of November. (3.1.4.2)

DBEDT Block: SAIC reviews MOA. (3.1.7)

CABLE SME: Send Interisland Cable SME RFP to DBEDT ASO. (3.2.1.2)

CABLE RFI: Finalize RFI contract with HECO. Send to TEL for signature and execution. Send invitations to cable developers RFI meeting. (3.2.1.3)

CABLE RFP: Begin development of cable procurement RFP contract requirements for sole source to HECO. (3.2.1.4)

Online Permitting: Submit RFP for development of online permitting contract to ASO. (3.2.2.1)

Transportation: Meeting with potential partners to discuss vehicle technologies, demonstrations, and infrastructure. (3.3.1)

Week of August 31

Asia Pacific Clean Energy Symposium + other Training this week

CICR: Begin development of MOA with SAIC/HEEP on rebate program for commercial and industrial customized installation of non-standard energy efficiency technologies. (3.1.1.1)

WAP: Receive OCS MOA from AG. Revise and send to COS/JP/TAP for review. (3.1.2)

Training and Adoption of LEED: Draft RFP. (3.1.4.3)

DHHL: Receive MOA back from ASO/C and AG; revise and send to COS/JP/TAP for review. (3.1.5)

DAGS: Receive MOA back from ASO/C and AG; revise and send to COS/JP/TAP for review. (3.1.6)

SEEARP: Continue to work with Oahu, Maui and Big Island counties on prospective projects in support of GREP (3.1.1). Prepare Comprehensive Application. (3.1.9)

CABLE SME: Send Interisland Cable SME RFP to SPO for advertisement. (3.2.1.2)

CABLE RFP: Negotiate cable procurement RFP contract requirements with HECO. (3.2.1.4)

CABLE EIS: Develop requirements for EIS RFP. (3.2.1.5)

Week of September 7

KIUC: Approval for contract received, send final document to KIUC for signature. (3.1.1.3 and 3.1.8)

WAP: Receive OCS MOA from TAP. Revise and send to OCS for review and signature. (3.1.2)

Training and Adoption of LEED: Establish proposal review committee and review the proposal evaluation form with ASO's review and approval. Finalize RFP. (3.1.4.3)

DHHL: Receive MOA back from TAP; revise and send to DHHL for review and signature. (3.1.5)

DAGS: Receive MOA back from TAP; revise and send to DAGS for review and signature. (3.1.6)

DBEDT Block: Receive SAIC MOA back; review recommendations; make necessary changes. (3.1.7)

CABLE SME: Selection committee review results of Interisland Cable SME RFP advertisement, select contractor. Begin negations with contractor. (3.2.1.2)

CABLE RFP: Continue negotiation of cable procurement RFP contract requirements with HECO. (3.2.1.4)

CABLE EIS: Develop requirements for EIS RFP. (3.2.1.5)

Online Permitting: Submit RFP to SPO for advertisement. (3.2.2.1)

Transportation: Develop outline for implementation plan. (3.3.1)

Week of September 14

CICR: Send draft MOA to SAIC/HEEP on rebate program for commercial and industrial customized installation of non-standard energy efficiency technologies. (3.1.1.1)

ESH: Send draft MOA to SAIC/HEEP on energy solutions for the home program to encourage residential customers to reduce electricity consumption. (3.1.1.2)

DBEDT Block: Send MOA to ASO/C and AG for approval. (3.1.7)

SEEARP: Continue to work with Oahu, Maui and Big Island counties on prospective projects in support of GREP (3.1.1). Prepare Comprehensive Application. (3.1.9)

Renewable Energy: Develop project inventory. (3.2.2.3)

Transportation: Meet individually with local partners to flesh out implementation plan. (3.3.1)

Week of September 21

KIUC: Receive KIUC-signed contract back; send for DBEDT Director signature. (3.1.1.3 and 3.1.8)

WAP: Receive signed MOA back from OCS. Send to TEL for signature and execution. Begin MOA administration.(3.1.2)

Hospitality ENERGY STAR: Award Contract with ASO's, AG's and SPO's review and approval and have it posted on HePS. (3.1.4.1)

Training and Adoption of LEED: Issue RFP with ASO's, AG's and SPO's review and approval. (3.1.4.3)

DHHL: Receive signed MOA back from DHHL. Send to TEL for signature and execution. Begin MOA administration. (3.1.5)

DAGS: Receive signed MOA back from DAGS. Send to TEL for signature and execution. Begin MOA administration. (3.1.6)

CABLE SME: Take part in RFI meeting. (3.2.1.2)

CABLE RFI: Host cable developer conference with HECO. Gather information on financing, permitting, procurement, and installation of undersea cable from existing cable developers. (3.2.1.3)

CABLE RFP: Send sole source contract to DBEDT ASO for review. (3.2.1.4)

CABLE EIS: Develop requirements for EIS RFP. (3.2.1.5)

Online Permitting: Review responses for advertisement of RFP. Begin selection of contractor. (3.2.2.1)

Transportation: Meet individually with local partners to flesh out implementation plan. (3.3.1)

Week of September 28

CICR: Receive back from SASIC/HEEP draft MOA. Revise and send to ASO/C and AG for review and approval. (3.1.1.1)

KIUC: Receive signed contract back from DBEDT Director; send to DAGS for execution and encumbrance. (3.1.1.3 and 3.1.8)

Hospitality ENERGY STAR: Finalize award if the contract is not contested. Issue Notice to Proceed to Contractor. Meet with Contractor to review terms and conditions. Begin contract administration. (3.1.4.1)

DBEDT Block: Receive SAIC MOA back from ASO/C and AG. Make changes. Send to SAIC for signature. (3.1.7)

CABLE SME: Review results of RFI meeting with DBEDT, begin development or RFP criteria. (3.2.1.2)

CABLE RFI: Receive HECO's draft report of results from the cable developer conference. Report will form the basis for the requirements for the RFP for the development of the interisland cable. (3.2.1.3)

CABLE EIS: Send EIS RFP to DBEDT ASO (3.2.1.5)

Online Permitting: Begin negotiation with contractor for development of online permitting program. (3.2.2.1)

Transportation: Meet individually with major State fleets; develop plan for demonstrations and infrastructure. (3.3.2)

Week of October 5

ESH: Receive draft MOA back from SAIC/HEEP. Make revisions; send to ASO/C and AG for review and approval. (3.1.1.2)

KIUC: Receive executed contract back from DAGS; send to KIUC with notice to proceed. (3.1.1.3 and 3.1.8)

Hospitality ENERGY STAR: Negotiate contract with awardee. (3.1.4.1)

SEEARP: Finalize projects with Oahu, Maui and Big Island counties in support of GREP (3.1.1). Finalize Comprehensive Application. (3.1.9)

CABLE RFP: Send sole source contract to SPO for advertisement and approval. (3.2.1.4)

Online Permitting: Finalize contract, send to TEL for signature. Obligate funds. (3.2.2.1)

Transportation: Finalize draft implementation plan. Forward for Director's review. (3.3.1/3.3.2)

Week of October 12

CICR: Receive back from ASO/C and AG draft SAIC/HEEP MOA. Revise and send to TAP and Director for approval. (3.1.1.1)

KIUC: Meet with KIUC to review scope of contract; begin contract administration. (3.1.1.3 and 3.1.8)

Training and Adoption of LEED: Award Contract with ASO's, AG's and SPO's review and approval and have it posted on HEPS. (3.1.4.3)

DBEDT Block: Receive signed SAIC MOA back; send to TAP and TEL for final review and signature. (3.1.7)

SEEARP: Submit Comprehensive Application on FedConnect.net. Await notification of financial assistance award by December 2009. (3.1.9)

CABLE EIS: Send EIS RFP to SPO for advertisement. (3.2.1.5)

Online Permitting: Gather all possible permits for renewable energy projects. (3.2.2.1)

Transportation: Follow up with vehicle manufacturers; schedule calls. (3.3.1/3.3.2)

Week of October 19, 2009

CICR: Receive back from Director's Office approved draft MOA with SAIC/HEEP. Revise as needed and send to TAP and Director for review and approval. (3.1.1.1)

ESH: Receive draft MOA back from ASO/C and AG. Make revisions; send to SAIC/HEEP for review and signature. (3.1.1.2)

Hospitality ENERGY STAR: Send draft contract to ASO/C and AG for review and approval (3.1.4.1)

Training and Adoption of LEED: Finalize award if the contract is not contested, and Issue Notice to Proceed to Contractor. (3.1.4.3)

DBEDT Block: Execute SAIC MOA; send copy to SAIC. Begin MOA administration. (3.1.7)

Online Permitting: Organize permitting requirements by technology and location. Develop online wizard for required permits to determine permitting requirements for individual projects. (3.2.2.1)

Transportation: Develop guidelines for infrastructure and grant program. (3.3.1)

Week of October 26, 2009

ESH: Receive draft MOA back from TAP and Director. Make revisions; send to SAIC/HEEP for review and signature. (3.1.1.2)

Training and Adoption of LEED: Execute Contract. (3.1.4.3)

CABLE RFP: SPO approves HECO sole source justification for development of inter-island cable requirements. Final contract sent to TEL for signature. (3.2.1.4)

Online Permitting: Develop online wizard for required permits to determine permitting requirements for individual projects. Organize permits to allow for online entry of data into subject areas. (3.2.2.1)

Transportation: Develop "critical mass" plan, with commitments for 300–500 vehicles in 2010–2011. (3.3.1/3.3.2)

Week of November 2, 2009

CICR: Receive back from SAIC/HEEP signed MOA. Send to Director for signature. (3.1.1.1)

Hospitality ENERGY STAR: Receive contract back from ASO/C and AG. Make corrections and send to TAP and Director for review and approval. (3.1.4.1)

Gov, Business, NP ES and Code Adoption: Contract complete, issue to Contractor, meeting with Contractor to go over scope, begin contract administration. (3.1.4.2)

CABLE RFP: HECO begins development of requirements and evaluation criteria for the inter-island cable procurement RFP. (3.2.1.4)

CABLE EIS: Selection committee review responses to EIS RFP. Begin selection process for contractor to perform EIS. (3.2.1.5)

Online Permitting: Develop server requirements and tracking system for permits. (3.2.2.1)

Renewable Energy: Draft RFP. (3.2.2.3)

Transportation: Provide information on vehicle plan to manufacturers. (3.3.1/3.3.2)

Week of November 9, 2009

CICR: Receive back from Director signed SAIC/HEEP MOA. Send copy to SAIC/HEEP. Begin MOA administration. (3.1.1.1)

ESH: Receive signed MOA back from SAIC/HEEP. Send to TAP and Director for signature. Begin MOA administration. (3.1.1.2)

Hospitality ENERGY STAR: Receive contract back from TAP and Director. Make corrections and send to Contractor for review and signature. (3.1.4.1)

CABLE SME: Work with HECO for development of RFP criteria for the procurement of the interisland cable. (3.2.1.2)

CABLE EIS: Finalize selection of Contract for EIS, begin negotiations with contractor. (3.2.1.5)

Transportation: Provide information on vehicle plan to manufacturers. (3.3.1/3.3.2)

Week of November 16, 2009

Hospitality ENERGY STAR: Receive contract back from Contractor. Send to Director for signature. Send to DAGS for execution and encumbrance. (3.1.4.1)

CABLE EIS: Ongoing negotiations with contractor. (3.2.1.5)

Online Permitting: Begin trials of online permitting system. (3.2.2.1)

Transportation: Schedule meetings between fleets and vehicle and infrastructure providers. (3.3.1/3.3.2)

Week of 23 November 2009

HSWAC: Contract complete, issued to Contractor, meeting with Contractor to focus on scope. (1.3)

Hospitality ENERGY STAR: Receive executed contract back from DAGS. Send Contractor Notice to Proceed. Meet with Contractor to review requirements. Begin contract administration. (3.1.4.1)

CABLE EIS: Finalize EIS contract, send to TEL for signature. if the contract is not contested, issue Notice to Proceed to Contractor. (3.2.1.5)

Online Permitting: Continue trials of online permitting system. (3.2.2.1)

Transportation: Continue meetings between fleets and vehicle and infrastructure providers. (3.3.1/3.3.2)

Chairman INOUYE. Thank you very much, Mr. Liu.

How much will this cable cost?

Mr. LIU. As Mr. Parks said, we are doing the detailed business and financial cost benefit analysis of the cable, now. You've asked specifically about the cable, so the cable itself, we believe is probably going to come out in the range of $800 million to $1 billion, depending on various configurations. Now, that is based on preliminary conversations that we've had with developers that have done this before, but a lot of it depends on the technical assessment that is now being undertaken with the support of the DOE, that is really finalizing the engineering and technological parameters against which the potential bidders will finally bid, and give us a final price.

But the cable itself is only part of the equation. We have the wind farms, which the developers need to invest in and build, and we also have significant terrestrial upgrades, like utility HICO, MICO and others will have to make. Which, Senator, presents us with a rare opportunity to modernize what is acknowledged to be an antiquated terrestrial grid, and that could be several hundred million dollars more.

This is nothing short but an investment in a 21st century modern inter-island, statewide grid system, which has a lot of benefits.

Chairman INOUYE. Under the present arrangement, the State of Hawaii will be the owner of the cable, is that right?

Mr. LIU. That is still being discussed. Our ultimate objective is the most efficient and effective means to get this cable developed and built and commissioned, consistent with Hawaii's environmental policy and public needs.

So, balancing all of those factors, if obtaining that goal requires State ownership, that's the route we will take, but regardless, the State will play a major role, at least overseeing and being a significant partner in this endeavor.

So, the answer is, we're looking at all options, all aimed at making sure we get this thing done.

Chairman INOUYE. What we're discussing is primarily the development of electricity, so there's very limited on the automobile side.

Until recently, Hawaii—statistically, on a per capita basis, had more limousines, more luxury cars——

Mr. LIU. More Hummers.

Chairman INOUYE [continuing]. And more Humvees and other huge gas guzzlers. Do you believe that the people of Hawaii are sufficiently knowledgeable and cautious and concerned about energy problems?

Mr. LIU. Senator, you've hit upon a major component of what HCI needs to accomplish. Besides regulatory, policy, business model, you know, we form a big component of HCI, and a model that can be for the Nation is how we educate and change human behavior—both in how we use our electricity and our ground transportation choices.

I would say that at this point, I can't say that I am confident that Hawaii residents are prepared to give up their pickups, huge pickups, F–150s, for electric-powered vehicles. But I believe that if we do our job properly that we will create that energy consciousness, and finally, sir, nothing will work better than $6, $7 a gallon gasoline.

Chairman INOUYE. Well, there are a lot of statistics that concern me, for example, there are more automobiles per capita in the city of Honolulu than the city of Los Angeles, and well, we can't keep it up that way.

Mr. LIU. Agreed, agreed.

Chairman INOUYE. I hope that you'll succeed in the educational portion of this act.

Mr. LIU. Well, Senator, with your support, because you've been such an advocate of us being on clean and renewable energy, with your support, and the work of all of the other stakeholders, we have to succeed.

Chairman INOUYE. Well, I thank you very much.

And the final witness is the technical director of the Hawaii Renewable Energy Development Venture of the Pacific International Center for High Technology Research, Mr. Maurice Kaya.

STATEMENT OF MAURICE H. KAYA, TECHNICAL DIRECTOR, PACIFIC INTERNATIONAL CENTER FOR HIGH TECHNOLOGY RESEARCH

Mr. KAYA. Thank you very much, Chairman.

Chairman INOUYE. That's a big title.

Mr. KAYA. It certainly is, and the first thing I'll do is I'm going to use PICHTR for the first, and HREDV for the latter.

As you mentioned, I am the technical director, and I think my perspective will be very different than those that have appeared before you, to date, simply because PICHTR and HREDV is not intended to be the recipient of any of these ARRA funds. Our primary role is to try to mobilize, with respect to energy, the opportunities that are inherent within ARRA for the private sector, and that's essentially what our mission is.

Needless to say, through your support, this program has been set up in such a way to try to achieve the goals that the State and the Department of Energy have laid out with respect to the Hawaii clean energy initiative, and in recognizing that the Government can do a very capable job of enabling the transformation that you all desire to take place, but ultimately it will rest upon the private sector and us as individual consumers to help this transformation come along.

So, in that spirit, what we have been doing to spend the ARRA funds has been focused primarily on the competitive aspects of ARRA as it relates to the energy program.

Through HREDV, we've benefited because we've gained a fairly significant understanding of the needs of the private sector here in Hawaii, as it relates to clean energy technologies, and as a result of this understanding, we have tried to better position some of the folks that have been very interested and there have been many that have been very interested in some of the competitive opportunities that D.C. envisioned coming from the deployment of these considerable dollars from the Federal Government.

Needless to say, we are extremely grateful to you, Mr. Chairman, and the Appropriations Committee for all of the support that you've provided to Hawaii, to date. We've never had so much attention on energy from the U.S. Government since, possibly, the energy crisis of the 1970s, and I think part of that is very welcome.

ARRA has opened substantial additional opportunities for Hawaii clean tech companies to compete for this funding in a variety of areas through these competitive solicitations.

Since February 2009 when ARRA was enacted, we've noted with some concern that the progress by the Federal Government on the actual solicitations for funding has been slower than we might have expected, and you've heard others testify as to the reasons for that.

In some cases, however, these solicitations specifically were written in a way that might have disadvantaged Hawaii's companies—

we're predominantly small and medium-sized enterprises, and it's in this area that I'd like to offer some comments.

In order to improve ARRA and in future similar programs, your committee may wish to consider several things. First of all, with respect to the overall program management that generally comes out of the U.S. Department of Energy, we feel that some effort can be very welcome to get the program managers to improve the dissemination of information regarding some of these funding opportunities for such a large and complex program. Because Hawaii's renewable energy companies, energy efficiency companies tend to be SMEs, or small and medium-sized enterprises, you might wish to, in the future, see if it might be possible to dedicate a portion of these types of funds specifically targeted to assist small and medium-sized enterprises, as is commonplace in other Federal programs, as well.

I think that finding ways to direct Federal program managers to help facilitate deployment in regions, States and localities is also a very critical enabler. Hawaii is no better—there's no better example than Hawaii, in terms of what I mean by this. The very fact that we have a senior executive from the Department of Energy helping us access the bureaucracies in Washington, DC has been a very significant impetus and enabler for those of us in Hawaii to become much more competitive.

Supporting adequate investments in training and workforce development for the green jobs of the future that we're anticipating is also, we feel, a key component that needs to be addressed. There's some pieces or elements that are specifically targeted to this, but I do think that even in the deployment of some of these funds, if they were specifically done in such a way that workforce development and engaging with the larger community in being able to produce the kind of talent that we need for the long term as we make this transformation, is an important piece of what could be achieved.

And finally, an impediment for some of our smaller companies has been the requirement that is imposed on these companies in the competitive framework to come up with a certain amount of cost share. When you're putting up large amounts of money, as ARRA has done, and when you have small companies, your ability to raise the kind of cost share that is being required as part of the solicitations has been a significant impediment for some of these companies.

Now, we all know that Hawaii has tremendous potential to lead the Nation in transforming its legacy fossil fuel systems to renewable energy, I think everybody agrees with that.

But at the same time, Hawaii—because of its unique situation, has to continue to rely on external sources of investment as we make this transition, including assistance from the Federal Government.

ARRA and programs like it can be significant enablers, and while the opportunity ARRA has created for private sector here in Hawaii is both needed and welcome, I think our experience has shown, to date, based on a common set of suggested data that it can be improved in certain ways.

So, thank you very much for the opportunity to offer these comments. Again, I'm speaking generally on behalf of some of the private sector interests that have been very involved in trying to take advantage of ARRA.

Thank you, again, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF MAURICE KAYA

Senator Inouye and members of the U.S. Senate Committee on Appropriations, my name is Maurice Kaya. I am the Technical Director for the Pacific International Center for High Technology Research (PICHTR), a Hawaii-based international not-for-profit company whose mission is to deploy appropriate technologies, including renewable energy, for the benefit of Hawaii and other Pacific Island nations. Prior to my association with PICHTR I had the honor and privilege of serving as the energy director and chief technology officer for the Hawaii Department of Business, Economic Development and Tourism.

In my comments before you and the committee, I will focus mainly on the importance of the American Recovery and Reinvestment Act (ARRA) from the perspective of the private sector in Hawaii as it relates to Hawaii achieving its long-term energy security objectives. I have spent over two decades helping Hawaii address critical energy security issues resulting from its overdependence on imported oil. In the past 3 years we have seen unprecedented interest and attention at the policy-level to increase the efficiency of our energy systems and usage, stimulate the development of renewable energy resources, facilitate the development of locally grown bio-based substitutes for petroleum fuels, and encourage investments in advanced energy technologies by Hawaii companies to solve Hawaii problems.

In 2006 Hawaii's policymakers adopted an integrated set of legislative actions that established a much needed framework for transformation of Hawaii's energy markets away from imported fossil fuels. This action received national attention. The opportunity created by Hawaii's policy initiative led to an unprecedented partnership between the Hawaii State government and the U.S. Department of Energy in January 2008 that we now know as the Hawaii Clean Energy Initiative (HCEI). HCEI seeks to help Hawaii satisfy its energy needs using 70 percent clean energy by 2030. Through analytical work that HCEI has sponsored we now know that these levels are indeed possible with continued advancement and deployment of clean energy technology, a supportive policy and regulatory environment, new business models for some of our incumbent energy companies, sufficient access to capital, and developing synergistic approaches for development and use of Hawaii's remarkable renewable energy assets holistically across the State.

Policy development and analysis are important enablers, but we must continue to remind ourselves that the profound transformation of our energy systems to one dependent primarily on clean energy efficiency and renewable energy technologies cannot be achieved without investments made by the private sector and individual consumers. We are extremely grateful to you, Mr. Chairman, and the Appropriations Committee for all of the support you have provided to Hawaii to date. We have never had so much attention on energy from the U.S. Government since possibly the energy crises of the 1970s. The new administration in the White House has raised the hopes of all of us who have toiled to address these types of energy issues for so long. With the enactment of ARRA significant dollars are being directed to Hawaii through formula and block grant funding. Additionally ARRA has opened substantial opportunities for Hawaii companies to compete for funding in a variety of areas through competitive solicitations administered primarily through the Department of Energy. The interest level for these funds from Hawaii companies has been very high from the inception of the program and continues today.

PICHTR is the administrator of a program that you have supported, the Hawaii Renewable Energy Development Venture (HREDV). This is a program that also has as its core objective, helping to grow the clean technology sector in Hawaii to fulfill the needs identified by the overarching framework of the Hawaii Clean Energy Initiative and State and national policy directives. Thus our focus is on identifying, nurturing and supporting the growth to maturity of Hawaii-based enterprises in the clean tech industry. Our attention at PICHTR is directed at providing funding support to Hawaii-based companies, but equally importantly, providing these companies with the insights, tools, and skills that they need to improve their ability to compete for investment dollars, whether from public or private sources, and to sustain their enterprise in today's increasingly demanding and competitive markets.

Through HREDV we have gained a significant understanding of the clean tech sector in Hawaii. We have established a large network of interested companies and organizations, and have used these contacts to better appreciate the needs of the private sector as these companies try to deploy green technologies. In many cases, companies with access to emerging technologies believe that Hawaii is the perfect location for early adoption, and seek information that will help them access the market better. In other cases, developers and entrepreneurs are looking to form strategic partnerships with landowners, investors, or other energy companies. In practically every instance, we note a consistent desire to better manage project risk by reducing uncertainties related to obtaining government permits, more predictable contract terms from wholesale purchasers of energy like the electric utilities, and reducing project financial risk through public private partnerships especially those that qualify for co-funding through sources such as ARRA and other public funding.

When ARRA was first enacted we immediately foresaw its potential to benefit Hawaii companies who were trying to advance their innovations into our markets. We all recognize that Hawaii has long been challenged by the absence of investment capital to support local entrepreneurs. With the significant amount of funding directed to clean energy investments, ARRA was poised in a very timely way to help the State move quickly to deploy energy projects to fulfill the vision of the Hawaii Clean Energy Initiative. Working with your staff and others in State government, we organized an Industry Briefing on ARRA in April 2009 which was designed to inform Hawaii energy companies on the opportunities available and encourage the formation of strategic partnerships by having companies representing a variety of clean energy sectors speak to their capabilities in order to encourage dialogue and identify complementary strengths.

Since February 2009, when ARRA was enacted, we have noted with some concern that progress by the Federal Government on the actual solicitations for funding has been slower than expected, and in some cases, the solicitations were written in a way that disadvantaged Hawaii companies. For example significant funds were provided to advance smart grid technology in the United States. There is significant interest in Hawaii in smart grid technology as an enabling technology to help increase energy efficiency and renewable energy levels desired under HCEI. After a public comment period, the Department of Energy opted to issue its smart grid solicitations with a preference favoring large proposals funded in the hundreds of million-dollar scale. For Hawaii, with its smaller sized electric utilities and the preponderance of small and medium sized enterprises (SMEs), the size of the projects envisioned make it difficult to raise the required cost share in response to the solicitations without large corporate partners from the mainland. From this experience we can conclude that it may be advisable to investigate whether there can be some carve outs or set asides for small businesses much like other Federal programs on the basis that innovative technology development is not limited to large business.

Similarly there are other challenges that have been faced by Hawaii clean tech SMEs who are interested in ARRA funding. You may wish to consider the following factors in evaluating the effectiveness of, and possibly improving this funding program, or for future programs:

—Improve the dissemination of information regarding upcoming funding opportunities. Because of the breadth of ARRA, and because of the Federal Government's reliance on a single procurement announcement site (grants.gov) it is difficult for all but the most knowledgeable and dedicated businesses to glean information of specific interest from the existing procurement site. Many interested proposers have become aware of opportunities through word-of-mouth.

—Seriously consider dedicating a portion of stimulus funding to small or disadvantaged small businesses in an effort to ensure that the Nation's backbone of job creation, small businesses, get a meaningful opportunity to compete for funding.

—Look for ways for Federal program managers to get more involved with facilitating deployment in regions, States, and localities. Without investment in partnership building through HCEI and the visible presence of numerous Department of Energy and national laboratory personnel in Hawaii, we would be severely disadvantaged by our remoteness and unfamiliarity with program direction in Washington where decisions are made. Fortunately for Hawaii we have benefited by the presence of Mr. Bill Parks of DOE, who has been on assignment in Hawaii for almost 3 years, and his presence has helped us understand how to access Federal resources immeasurably.

—To build the capacity we need in the technology sector to solve the energy challenges faced by Hawaii and the Nation, ensure that sufficient resources are allocated to training and developing the future workforce for the green tech field.

—Review the requirement for cost share. Raising sufficient cost share may put worthy projects out of reach for many companies developing innovative technologies.

Accordingly those of us, including HREDV, who have been trying to position our local companies to be more competitive with ARRA funding have tried to gain insight on potential solicitations through our contacts with knowledgeable Federal sources. We have also tried our best to facilitate the formation of strategic partnerships by suggesting interested businesses to form competitive teams, offering counsel and advice regarding proposal preparation and doing business with the Federal Government, and serving as a bridge to link resources and expertise that might be available from the University of Hawaii with its notable track record in attracting Federal grants. Any assistance that you can provide to support these types of capacity building efforts would be very helpful.

In closing, Hawaii has the potential to lead the Nation in reducing dependence on imported petroleum and transforming its energy systems to one dominated by more secure energy efficiency and renewable energy. We have the best natural resource asset base, we have great motivation because of our high energy prices, our desire to maintain our beautiful environment, and we have significant security concerns to protect our fragile economy and the Nation's investment in major defense installations within the State. We have the supportive policy environment and we are working diligently to reform energy markets to favor clean energy systems. But we will continue to have to rely on external sources of investment as we make this transition, including assistance from the Federal Government. ARRA and programs like it can be a significant enabler, and while the opportunity ARRA has created for the private sector here in Hawaii is needed and welcome, our experience has shown that it can be improved.

Thank you for your consideration and attention. And thank you again for your continued support of Hawaii's efforts to lead the Nation in addressing energy vulnerabilities through reliance on energy efficiency and renewable energy.

Chairman INOUYE. You were invited for this specific purpose, to tell us what the thoughts are from the private sector, and I hope you'll permit my staff to communicate with you on drafting something that I'd like to share with my colleagues.

And I want to thank all of you for your testimony. It's been extremely helpful.

About 1 week ago, I was asked by several people as to my concern on convening this hearing. A couple of reporters came up to me, and said, "Aren't you concerned about having a hearing, and having people screaming and yelling?" And I said, "That was not my concern," because I've been in this business for a little while, and the people of Hawaii have always been courteous, concerned about the other party, and I just couldn't see a hearing of this nature ending up in a shouting match.

ADDITIONAL SUBMITTED STATEMENTS

So, I want to thank the audience for making me look good, and I think my colleagues in the Senate will be extremely envious when I tell them that we had a hearing, and no one screamed, no one said, "No."

[The statements follow:]

PREPARED STATEMENT OF NEIL ABERCROMBIE, U.S. REPRESENTATIVE FROM HAWAII

Chairman Inouye and the Senate Appropriations Committee, I commend you for convening this hearing to look into the State of Hawaii's use of funds from the American Recovery and Reinvestment Act (ARRA). As you are well aware, these funds are intended to launch an economic recovery by creating or saving millions of jobs while addressing long neglected challenges. How Hawaii uses its funds will impact this State for many years to come and will determine how far ahead Hawaii will advance its goals of energy independence, quality education, and sound infrastructure.

With this purpose in mind, I would like to state three concerns with regard to funding from the economic recovery bill in Hawaii.

First, I am concerned that the State's handling of the educational components of the ARRA puts in jeopardy Hawaii's chances at future funding. Earlier this year, the Governor outlined plans to severely cut the funds of the Hawaii Department of Education (HIDOE) and to instead use State Fiscal Stabilization Fund money to maintain the level of education funding, which would make the program's goal to support dramatic education reform very difficult to achieve. The State's application to the U.S. Department of Education (ED) was very vague in its description of how the State would use the funding to achieve ARRA's four areas of education reform:

—Adopting internationally benchmarked standards and assessments that prepare students for success in college and the workplace;

—Recruiting, developing, and retaining effective teachers and principals;

—Building data systems that measure student success and inform teachers and principals how they can improve their practices; and

—Turning around our lowest-performing schools.

This is a problem because ED's Race to the Top Program, of which there is $4.35 billion in discretionary grants available to States, requires States to show reform to be in contention. ED states that the Race to the Top Program,

"provides competitive grants to encourage and reward States that are creating the conditions for education innovation and reform; implementing ambitious plans in the four education reform areas described in the ARRA; and achieving significant improvement in student outcomes, including making substantial gains in student achievement, closing achievement gaps, improving high school graduation rates, and ensuring that students are prepared for success in college and careers."

By using ARRA funds to simply maintain funding, it appears extremely unlikely that the State of Hawaii will be eligible for the Race to the Top Program. I am concerned the State is giving away an opportunity for more Federal funding and significant educational improvements in order for an easy solution to part of its budget shortfall.

Secondly, in an August 6, 2009 letter to Governor Lingle, Chairman of the House Transportation Committee, James Oberstar, wrote that over the past 5 months:

"almost all States have moved forward aggressively to use the highway funds provided under the Recovery Act to create and sustain family-wage jobs, contribute to our Nation's long-term economic growth, and help the United States recover from the worst recession since the Great Depression. Regrettably, Hawaii is not among these States. Based on progress reports submitted to the Committee in July 2009, Hawaii is falling far behind other States in putting to work its Recovery Act highway formula funds. According to submissions received from all States and the District of Columbia, your State ranks 50 out of 51, based on an analysis of the percentage of Recovery Act highway formula funds put to bid, under contract, and underway. As of June 30, Hawaii had begun construction of projects totaling zero percent of the State's funding."

In his response to Chairman Oberstar's letter, Hawaii Director of Transportation Brennon Morioka wrote in an August 20, 2009 letter that of the 19 (10 State and 9 local) ARRA projects, "9 of the 10 projects have been awarded, 5 have been issued notice-to-proceed." Mr. Morioka further reports that "Federal funds for two out of the nine county projects have already been obligated" and the goal is to "have allocations being drawn for all projects by the end of October."

However, other States haven taken immediate action to revitalize their local economy, the risk of losing millions of dollars in Federal funding for Hawaii remains. So I urge Governor Lingle to aggressively take action to use highway funds provided by the ARRA. We cannot be content with the current projects in the pipelines and the speed at which our State is moving to put people in Hawaii back to work.

My third and final comment is with regard to the alternative energy funding that is being disbursed through the Department of Energy and the Department of Agriculture. Multiple energy companies in Hawaii have brought it to my attention that projects are being awarded to companies who have previously submitted proposals to these departments, thereby blocking new proposals from consideration. I understand this vastly increases the speed at which funds may be dispersed and put to use in the economy. However, it has also come to my attention that awards are being made to big businesses and the oil and gas industry who are also becoming involved in alternative energy projects. When combined, these actions have the result of limiting the involvement of small businesses who have a long history in this field or who may have innovative technology that has not yet caught the attention of bigger businesses. I am also concerned that we may be trusting industry companies to move forward when they have a vested interest in the status quo. A wider disbursement of funds would help ensure efforts do not become concentrated in specific companies. This funding will also help our State to continue making new inroads into alternative energy research and development and to generate additional momentum to our quest to become more energy independent. ARRA funding is certainly not the panacea for alternative energy development, but it does provide an opportunity to take another significant step in the right direction.

Again, mahalo for holding this hearing and taking the time to ensure Hawaii's share of funding is spent as efficiently and effectively as possible.

PREPARED STATEMENT OF THE HAWAI'I CHARTER SCHOOLS NETWORK OF THE UNIFIED VOICE OF HAWAI'I'S 31 PUBLIC CHARTER SCHOOLS

Aloha Senator Inouye and Honorable Members of the Committee: Thank you for this extraordinary opportunity to provide testimony directly to your esteemed Senate Committee on Appropriations. Distance can be a hurdle in itself, and as you well know, the view from the field is often quite different than what is seen by post command. Therefore, the chance to address you with candor and immediacy is welcome indeed.

Hawai'i's public charter schools are facing unparalleled reductions in statutory per pupil allocations, and ARRA funding was used to supplant State funding cuts, rather than fund projects, create jobs, or bolster support services—which appears to be a funding practice objected to by the Hawai'i Legislature vis-à-vis a similar plan from Governor Lingle where the Hawai'i DOE was concerned, yet applied, ipso facto to the public charter schools.

Furthermore, the Charter School Administrative Office has informed the schools that it has not been able to draw down these funds, even though the Legislature appropriated them on May 4th, Act 162 was signed on June 29th, and the school year is already well underway.

The U.S. Census recently released data on State-by-State per pupil spending. Hawai'i expended $11,060 per pupil in 2007 for 180,000 public school students, including children attending public charter schools. That year, Hawai'i's charter school children were funded at $8,149 per pupil.

However, the conspicuous problem is not with that 2007 snapshot data, per se; the real problem is that in the current 2009–10 school year, State funding for charter school children is at only $5,500 per capita, a 33 percent drop. Notably, a proportional reduction to the overall public education budget does not exist, even in the current crisis. Only charter school children are impacted by such a cutback.

State funding for children attending Hawai'i public charter schools is now half that of traditional DOE schools. In addition, only funding for public charter school kids is being supplanted with ARRA funds (see appended Conference Committee Report #167).

An apparently purposeful and systemic reduction in per-pupil funding based solely on the type of public school a child attends is antithetical to the foundations of our society. As long as the Hawai'i legislature continues to honor a caste hierarchy of public education funding, discriminatory resource allocation will continue.

Charter schools are public schools. A public school student is a public school student. There is no tenable stance to justify discrimination based on one public school type versus another.

Despite the foundational goals toward equal funding underpinning Hawai'i's single education system, the policy timbre of the Hawai'i legislature has resurrected Jim Crow.

This reference is not simply rhetorical posturing when you consider that over half of the public charter schools are engaged in Hawaiian Language Immersion and cultural reinvigoration, and that 26 of 31 public charters reside in underserved rural communities like Puna, Molokai, Kauai and the Leeward Coast.

It is even harder to ignore this situation in light of President Obama and Secretary Duncan's vocal admonitions of States to increase the number of charters, while holding them up as models of accountability. The net result at this point is not only that Hawai'i may be ineligible for Race to the Top and other Federal programs focused on improving how States treat their public charter schools, but also that it exacerbates an already extant Federal funding disparity between DOE and public charter schools disproportional to the total public school population.

A public school student is a public school student. The creation of a second class of substandard funding of some public school students versus others has ironically been worsened by the influx of ARRA funding, and how the Hawai'i Legislature has chosen to implements those funds.

Thank you for your thoughtful consideration. If you need further information, please contact myself, or Mr. Alapaki Nahale-A, executive director of the Hawai‘i Charter Schools Network.

APPENDIX

From Legislative Conference Committee Report #167, 2009 Legislative Session, regarding funding reductions to public charter school students:

Your Committee on Conference respectfully disagrees with the Governor's initial plan regarding the timing of the use of a large portion of Federal stimulus funds intended for education stabilization. In the interest of protecting the school system from much of the impact of the budget shortfall, your Committee on Conference has provided $56.6 million in stimulus dollars for education each year of the biennium. These funds will be distributed between public schools and charter schools, based on the latest enrollment projection available to your Committee on Conference. By contrast, the Governor proposed to immediately use $90 million of the $113 million in the Federal stimulus funds intended to go to lower education in an effort to balance the State budget in the current fiscal year.

The receipt of Federal stimulus funds has provided your Committee on Conference with an opportunity to make adjustments to the charter schools' fiscal year 2010 and fiscal year 2011 budget allocations to accurately reflect the amounts prescribed by section 302B–12, Hawaii Revised Statutes. Charter schools will be able to make the $5.3 million corrective reduction of general funds without substantial impact to delivery of services because the charter schools' budget will be largely offset by the addition of funds for collective bargaining and $2.8 million in Federal stabilization funds. The net reduction to the charter school budget will be less than $1 million, which represents a year-to-year reduction of less than 2 percent.

Your Committee on Conference has struggled this session to make informed and equitable decisions regarding charter school funding because of the limited information charter schools made available. Charter schools currently enjoy an extremely flexible operating environment, which was provided to enhance program creativity and resourcefulness with the goal of creating better outcomes for students. However, as a publicly-funded entity, charter schools must provide transparency and ensure that public funds are properly used. Your Committee on Conference requests that charter schools provide a budget that reflects all fiscal resources anticipated to be available to the charter schools for the next year; report on the consistency of procurement practices with the guidelines in Chapter 302B, Hawaii Revised Statutes; and account for all exemptions to normal employee compensation levels. Your Committee on Conference also requests that all charter schools work with the Charter Schools Administrative Office annually to provide the Legislature full and accurate financial information to enhance future decision making processes.

PREPARED STATEMENT OF WALDEEN K. PALMEIRA, HUI NĀ MAKAIWA O WAILUANUIAHO‘ANO

Aloha Mr. Chairman: I appreciate the opportunity to submit this statement to the Senate Appropriations Committee. I write with a sense of urgency and in behalf of Native Hawaiians on Kauai regarding the route of a bike path proposed to traverse Wailua Beach. The project is being funded by money made available by the Stimulus Program approved by Congress earlier this year. This is in regards to the Lydgate-to-Kapa‘a Bike and Pedestrian Path.

I carry with me the support of the Executive Committee of the Kauai Chapter of the Sierra Club, which joins me in this statement.

First, I want to assure you and the Committee that our community does not oppose the entire bike path program. Our concern is focused on the specific route that has been chosen for Wailua by the advocates of the path, which if implemented, would desecrate an area of great spiritual and historic importance to Kaua‘i and all of Hawai‘i.

Wailua Beach on the east side of Kauai is known to have been a very important early point of contact by the first Polynesians to reach the shores of what became Hawai‘i. The traditional name Wailuanuiaho‘ano, meaning "great and sacred Wailua" exemplifies the sacred nature of the entire region, which starts on the sands of Wailua beach. The Native Hawaiian community reveres this beach, which has well known heiau at each end. There is high probability that many Iwi Kūpuna and cultural remains are near the area of affect of Wailua beach. This may be connected to the well known traditional burial grounds named Mahunapu‘uone.

At the south end of the beach, the Wailua River empties into the Pacific Ocean with waters that originate at Wai‘ale‘ale, the sacred mountain at the center of

Kauai revered throughout Hawai‘i. The Hikinaakalā Heiau on the south end of Wailua beach is one of many important Native Hawaiian cultural and religious sites of this coastal area and one of five National Historic Landmark sites in Wailua. On the North end of Wailua beach is Kukui heiau, a navigational heiau prominent for the voyaging traditions of the Native Hawaiian people. Wailua was the primary entrance point to Kaua‘i from the neighboring islands.

Along the Wailua river are major historical and cultural sites, which continue to illustrate the significance of the Wailua river valley to the cultural backbone of the Native Hawaiian people. It is essential to the cultural continuity of the Native Hawaiian people and local Kaua‘i communities that Wailua beach remain intact, physically and spiritually.

The traditional name of Wailua beach is Alio. Early written documents and traditional Hawaiian literature indicate the name and the saying, as follows, "nā one kapu o Alio", meaning, the kapu sands of Alio. This sand dune area on the beach is connected culturally and spiritually to the well-known "Coco Palms" property, separated physically by Kūhiō Highway. An important traditional fishpond at Coco Palms is known as a "loko pu‘uone" for its relation and proximity to the sand dune shoreline of Wailua beach. The Weuweu-Kawaiiki Fishpond has been nominated to the Hawai‘i State Register of Historic Places. It is also highly associated with Kaua‘i‘s last reigning monarch, Queen Deborah Kapule, wife of King Ka‘umuali‘i of Wailua, Kaua‘i.

Kama‘āina and visitors to Wailua are now able to experience the natural beauty of this magnificent and significant traditional cultural landscape in its entirety, as it should remain for all generations to come to experience.

Our community believes that there are options to this proposed route which can be used. Specifically, we recommend a route mauka of Coco Palms that was identified as a viable alternative during the original Draft Environmental Assessment. This alternative includes a paved road and right of way that can easily be adapted for the Bike and Pedestrian Path, possibly at less cost then the proposed beach route.

The essential point is that the route traversing Wailua Beach was selected using seriously flawed processes that did not comply with either the letter or spirit of Federal and State law. At the time the Finding of No Significant Impact was being prepared for agency signatures for the Draft Environmental Assessment, the State Office of Hawaiian Affairs declined to provide a signatory. This is likely due to the known extreme cultural and spiritual sensitivity of this area to the Native Hawaiian beneficiaries.

The Section 106 process was flawed in that a specific cultural impact assessment was not done for the project, but rather borrowed from a study of the pending Kapa‘a Relief Route EIS. Archaeological assessments of the area in question fell short of an Archaeological Inventory Survey, which was also not conducted for the specific route.

The Final EA also acknowledged Section 106 consultation with specific individuals, some who recently indicated that they were either not consulted, or that their comments were not accurately portrayed. None of the Native Hawaiian cultural practitioners that have been contacted to review this process in the past few months have said it was appropriate to have a bike path on the beach at Wailua. Native Hawaiian cultural practitioners have said that it is not pono; that is, it is not right to have this bike path on Wailua beach.

The construction plans also indicate significant design changes from that displayed in the Final EA conceptual designs. This includes a 14-foot-wide synthetic wood boardwalk resting on support pylons that would penetrate approximately 8 feet into the sand and the plant life essential to the health of the beach and sand dune area. Estimates of the life of the boardwalk range from 2–10 to 15–20 years. The reality is that this beach adds and loses sand over natural cycles. It is impacted by tidal events, storms and frequent prevailing strong winds from the east, in this active coastal zone.

Is anyone involved in this proposal prepared to guarantee that building this boardwalk on an essentially unstable and ever changing beachscape will withstand the first major storms and tides that hit it? Since there is a viable alternative that can be built on solid ground, why risk taxpayer's dollars on a controversial route that is opposed by the descendants of the original people who first settled these lands?

Some have asserted that if the route is changed, the funds appropriated for this project will be lost. Local officials have testified before the Kauai County Council that the appropriated funds can be used for other sections of the bike path if reworking the Wailua route causes a delay. That said, it is our belief that if a decision to re-route the Wailua path is made expeditiously, no significant delay will result.

Mr. Chairman, this route should not be allowed to proceed based on flawed processes and the certainty that it will be a profound insult to those of us who are descendants of the Native Hawaiians who inhabited this area for 2,000 years. The people in whose behalf these words are written are asking that our county and State officials re-consider the current proposed route.

Finally, the National Parks system should provide protection for this area within the Wailua Complex of Heiau listed on the National Register of Historic Places. Wailua beach is at the center of the area of affect of the sacred coastal sites, and the traditional "gateway" to the historic and sacred Wailua River Valley, that leads to the source of the greatest waters on earth, Wai'ale'ale.

We are a people of good will. We have sought collaboration. There is no reason why a project intended to provide pleasure and happiness to the people of our area should be implemented in a way that does injury to our history, our culture and our spirit.

PREPARED STATEMENT OF THE IRONWORKERS STABILIZATION FUND, LOCAL 625

Chairman Inouye and members of this Committee, on behalf of Mr. T. George Paris and the Ironworkers Stabilization Fund, Local 625 thank you for this opportunity to appear before you regarding the American Recovery and Reinvestment Act (herein known as ARRA).

We deeply appreciate your concern and steadfast support of the hard working men and women of the State of Hawaii. We would like to inform you of the Ironworkers view on the progress of how the ARRA funds are being spent. These funds were used to bring Hawaii and the Nation out of this worldwide recession. Due to President Obama and the United States Congress, Hawaii was allocated funds to assist in job creation and help our local economy.

We believe that in general this is a great idea; however, due to the inaction of the Lingle Administration we have not seen a good amount of projects starting. Per a letter by Chairman Oberstar, Chairman of the House Committee on Transportation and Infrastructure, dated August 6, 2009 Mr. Oberstar stated: "Hawaii is ranked 50 out of 51 for States submitting projects for the Recovery Act." We consider this reprehensible and hope that you can assist in request the Lingle administration to create a rapid response team to have these projects shovel ready to submit.

Additionally, we know that the intent of this bill was to assist the local economy by creating jobs for the local people. Not for outside entities to get the jobs and send the money out of State. As such, we hope there is a rule that States that the funds were to create stimulus in the local economy by allowing local companies to get the jobs. Or more importantly have all the companies hire people that live and work in the State and not have people from the mainland come into our State and take our jobs.

In conclusion, we applaud the efforts of this committee to support our local economy. We would hope that you encourage the Lingle Administration to submit more projects for these funds and ensure all the funds coming into the State will provide jobs for local people.

Thank you.

PREPARED STATEMENT OF HUGHES NETWORK SYSTEMS, LLC

Hughes Network Systems, LLC ("Hughes") submits this testimony on the Senate Appropriations Committee hearing entitled "Stimulating Hawaii's Economy: Impact of the American Recovery and Reinvestment Act of 2009." Hughes appreciates the hard work undertaken by this committee to help craft the American Recovery and Reinvestment Act of 2009 ("ARRA")[1] and thanks the Chairman for the opportunity to have its views considered in this forum.

Our testimony informs the committee on challenges presented by the implementation of provisions in the ARRA that govern the disbursement of $7.2 billion in Federal funds to help States and communities improve their broadband connectivity.[2]

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[1] American Recovery and Reinvestment Act of 2009, Pub. L. No. 111–5, 123 Stat. 115 (2009) ("ARRA").

[2] The ARRA requires the Department of Commerce to establish the Broadband Technology Opportunities Program ("BTOP"). The Act further establishes authority for the Department of Agriculture to make grants and loans for the deployment and construction of broadband systems.

Background

Hughes is the largest satellite Internet access provider to the North American consumer market, providing satellite broadband connectivity to more than 400,000 consumer and small business subscribers through its HughesNet® service. Almost any consumer or small business across the country can subscribe to Hughes satellite broadband services at downstream speeds of up to 5 mbps. Hughes shares the belief of many policy makers in Washington, D.C. that the deployment of modern broadband networks is the critical infrastructure challenge of this century and is vital to the long-term competitiveness of the United States. Faster networks and more affordable broadband will benefit America's consumers and America's workers, and lead to enhanced economic growth and job-creation.

Former Acting Chairman of the Federal Communications Commission ("FCC"), Michael Copps, recently opined that:

> The goal of our national strategy must be to bring value-laden, high-speed broadband to all our citizens, no matter who they are or where they live, rural or urban, affluent or needy, living in a comfortable condo or a not-so-comfortable tribal land, physically able or dealing with a disability. "All" must mean everyone.[3]

Hughes shares this vision and is well positioned to expedite the delivery of high-speed broadband services to unserved Americans in Hawaii and across this country. Satellite technology by its design provides ubiquitous coverage that does not discriminate based on income or geography. It ensures that every household has access to at least one high-speed broadband provider. There are approximately 10 million residences and 3.5 million businesses, schools, and healthcare establishments unserved by wireline or wireless broadband today. Satellite is poised to deliver broadband service to these millions of unserved American consumers, businesses, hospitals, and schools tomorrow.

Cost and speeds have traditionally stymied broadband penetration in rural and lower income areas. With the support of broadband stimulus funds, Hughes can immediately expand the reach of broadband throughout the country, dramatically decrease the upfront cost of equipment for satellite broadband subscribers, and increase the speeds delivered by satellite technology. To this end Hughes is seeking grant monies from NTIA and RUS to subsidize customer-premises equipment ("CPE") purchases by consumers in unserved and underserved areas. As part of its proposals, Hughes has offered to reduce service plan pricing to participants in the NTIA and RUS programs. In keeping with the goals of the ARRA, Hughes has proposed additional discounts to public facilities that provide community services essential for supporting the safety, health, and well-being of residents, including, but not limited to, emergency response and other public safety activities, hospitals and clinics, libraries and schools, in order to improve the adoption of broadband connectivity.

CPE subsidies can immediately deliver broadband to thousands of new customers in unserved and underserved areas in Hawaii that have been bypassed by terrestrial providers who have not extended their networks to these areas. Our proposal will, in turn, create new jobs for: truck crews; equipment contractors; marketing employees; and call center employees and extend the digital economy to the broadest possible number of homes and small businesses throughout Hawaii and across the country.

Resultant increased consumer demand will likely exceed our capacity to deliver broadband in some regions across the country. Next generation satellites (delivering downstream speeds approaching 20 mbps) will be necessary to expand significantly broadband service capability. Recent industry efforts to procure financing for such projects in the capital markets have proved difficult. The recent financial crisis and consequent tightening of the credit markets has only worsened capital investment in the industry. Grants from NTIA for a new satellite to increase capacity will ensure that enhanced satellite broadband services are available to many of the unserved and underserved households and businesses. Hughes is currently seeking a grant from NTIA to assist with the purchase of a new satellite to increase capacity and enhance broadband service in unserved and underserved areas.

Hughes is excited to be part of the solution to the broadband infrastructure challenges before the United States and Hawaii today. However, we have very real concerns that the implementing rules promulgated by the NTIA and RUS for the broadband funds provided for under the ARRA effectively preclude Hughes from re-

[3] Copps, Michael, J., *American Recovery & Reinvestment Act of 2009 Broadband Initiative Kick-Off*, (Mar. 10, 2009), <http://www.fcc.gov/commissioners/copps/speeches2009.html>.

ceiving an award during the first funding window.[4] Set forth below are specific examples of the challenges these rules present for satellite technologies.

Challenges

Congress made clear in ARRA that "satellite carriers" should be considered equally with wireline and wireless platforms in the distribution of broadband grants.[5] The statute explicitly lays out a technology-neutral approach.[6] The current rules do not achieve this balance and could exclude Hughes from consideration for funding awards.

Overlap Prohibition

The current rules prohibit overlap of broadband stimulus projects funded under the ARRA.[7] Satellite is a nationwide broadband service provider that by definition overlaps every proposed service area. The ARRA does not prohibit RUS from funding multiple projects even if they overlap with other RUS-funded projects; likewise, there is no similar prohibition on NTIA. The broadband provisions in the ARRA require a technologically neutral approach to the funding of broadband projects. The rules prohibiting overlap of funded projects clearly discriminate against satellite technology and a nationwide solution. Language limiting grants or loans to "one per market" should be clarified to reflect the unique nature of satellite services before future funding opportunities arise.

Contiguous Service Areas

The current rules require that a proposed service area be composed of contiguous census blocks.[8] Satellite provides a nationwide service to users in virtually all unserved or underserved rural and non-rural areas. Requiring that applications only propose to serve contiguous unserved areas discriminates against a technology that can serve virtually all unserved or underserved rural and non-rural areas.

Further, the current rules require a project covering multiple service areas receive the highest score in each service area it addresses in order for a project to be funded. A satellite application that proposes a nationwide solution could not receive the highest score in each service area and will likely be dismissed.[9] The requirement that proposals serve contiguous census blocks and receive the highest score in each of the areas they proposes to serve effectively forecloses satellite technology from winning any broadband funds.

Overly Burdensome Mapping Requirements

The current rules require that applicants undertake census block level broadband analysis for each area they propose to serve and require the use of a bulky, localized mapping tool that is not conducive to a national proposal such as satellite.[10] This has the de facto effect of excluding nationwide applicants, such as satellite operators, who cannot devote thousands of hours to drawing a vast number of maps of proposed service areas in each local area, painstakingly including some census blocks and excluding others. What would be more straightforward and better serve the public interest would be for nationwide service providers such as Hughes to be able to submit an application indicating that it will serve customers in all unserved, underserved or rural areas, as the case may be, in accordance with a program that meets the requirements of the ARRA.

Hughes recently submitted three applications in response to the NOFA and, while it could not possibly draw the kind of maps required by the NTIA/RUS mapping tool, it was able with significant time and expense to produce data files totaling almost 400 megabytes and millions of spreadsheet lines for all rural, unserved and

[4] See Notice of Funds Availability and solicitation for applications, 74 Fed. Reg. 33104 (July 9, 2009) (hereinafter "NOFA").

[5] With regards to the BTOP program the Conference Report stated that "it is the intent of the conferees that, consistent with the public interest and purposes of the section, as many entities as possible be eligible to apply for a competitive grant including wireless carriers, wireline carriers, backhaul providers, *satellite carriers*, public-private partnerships, and tower companies." (emphasis addded) H.R. Rep. No. 111–116 at 775 (2009).

[6] Section 6001(e)(1)(C) states that "In establishing such [eligibility] rule[s], the Assistant Secretary shall to the extent practicable promote the purposes of this section *in a technologically neutral manner*." (emphasis added).

[7] NOFA at 33111.

[8] Id at 33130.

[9] During a recent RUS and NTIA sponsored Workshop on the Broadband Programs, RUS and NTIA representatives indicated that an application proposing a nationwide solution may be rejected wholesale if just one of the proposed service areas does not receive the highest score for a particular area. RUS and NTIA should clarify the rationale for requiring that a project covering multiple service areas receive the highest score in each service area it addresses.

[10] NOFA at 33132.

underserved areas in the United States. It is unclear what purpose was served by this massive effort, when the simpler approach outlined above would have likely yielded the same result.

An Alternative Approach for the Next Funding Round

While Hughes used its best efforts to meet the requirements of the NOFA and would like to see the improvements described above implemented if NTIA and RUS continue with their current approach, a simpler—and faster—approach for implementing broadband may be to fund broadband providers on a per subscriber basis for any new subscribers they connect in rural, unserved and underserved areas. Under this approach, NTIA and RUS would pay a flat subsidy amount, such as $750, to any broadband provider who adds a subscriber in a rural, unserved or underserved area during a 3-year period. The subsidy would offset the up-front costs associated with providing connectivity, customer premises equipment and installation. In the case of wireline providers, that would include the cost of pulling wire to the subscriber's home. For terrestrial wireless companies, that would include the cost of building towers and providing CPE. For satellite operators, that would include CPE and installation costs. The benefits of this type of program would include (1) expediting the roll-out of broadband service in rural, unserved and underserved areas, (2) adhering to the Committee's legislative intent of technology neutrality, (3) avoiding the scenario where the NTIA and RUS are picking winners and losers and unfairly distorting competition, and (4) reducing the administrative burdens on NTIA and RUS in implementing broadband stimulus programs.

Conclusion

Satellite is well positioned as an immediately deployable solution that provides ubiquitous coverage of unserved and underserved areas in Hawaii and across the country, regardless of geography or income. It must be a part of any national broadband strategy to bridge the digital divide. The Hughes proposals will lower up-front prices, increase broadband speeds, create jobs at the local level and drive broadband penetration. But we can not get started if the rules preclude us from having a seat at the table.

We thank the committee for its continued oversight of these issues and stand ready to assist should it require further information.

Prepared Statement of Anna Chavez

When we first heard about the idea of Kaua'i Bike Path, my husband and I were enthusiastic. We went to a meeting to learn about it. The promoters talked about their desire to increase healthy outdoor activity, recreation, alternatives to driving, and doing so in way that showed respect for island culture and local communities. We were thrilled to learn that government money and donated funds would be used to stimulate good jobs for local families, too.

That was until we learned about the way in which the Kaua'i Path was proceeding at Wailua Beach. We are not lawyers, or experts. We're just residents who think that the county's plan to locate the bike path on the beach at Wailua breaks an important promise to respect local culture. We want to see the Kaua'i Path get back on track and be relocated behind Coco Palms. We need help so that stimulus money that Kaua'i desperately needs will not be used to harm communities it is supposed to be supporting.

There is no need for Kaua'i County to build a 14-foot-wide multi-use synthetic wood boardwalk/alternate transportation lane on top of a sacred, culturally and environmentally sensitive beach in front of Coco Palms, near the mouth of the Wailua River. We are disappointed that bike path planners decided to build on top of one of the most important cultural historical sites in all of Hawai'i and Polynesia. Our Federal Government has acknowledged this special historical treasure in a Landmark area that surrounds two National Historic Registry sites, and one site that is in Nomination. There are alternative routes. We are a coalition who asks that the bike path planners take the path of least resistance in favor of community consensus.

You will hear bike path planners assert that they have crossed every "t" and dotted every "I", going by the letter of the law as they applied for and obtained a "Finding of No Significant Impact". What they will not tell you is how flawed their applications and community consultation processes were. They will not tell you in detail what we are learning: that prominent environmental stakeholders were avoided, and Native Hawaiian cultural practitioners on Kaua'i were misquoted and their positions misrepresented.

I am a lifetime member of the Sierra Club, and a member of Kaua'i Sierra Club's Executive Committee. I am not an environmental expert. And I am a relatively new resident of Kaua'i (4 years). But even my layperson's review reveals flaws in the process used by the bike path promoters. Taxpayers should know about this, especially those in other neighborhoods where the bike path is being planned.

The bike path promoters' Preliminary Environmental Assessment and FONSI application relied on information from surveys on another section of coastline to the north in Kapa'a, where their first segment of bike path was built. They did not do a complete environmental assessment of Wailua, nor did they complete a required Cultural Impact Assessment. Furthermore, the State archeologist did not require an Archeological Inventory Study of this intensely sacred and special area adjacent to National Historical Registry landmarks.

Some bike path promoters have suggested that they will now do a secondary survey to determine whether there are burial sites within the construction zone. They are proposing to "monitor to 4 feet," when the project calls for augers that will anchor the boardwalk to penetrate to a depth of 8 feet. Burial remains alone do not determine the spiritual, sacred or historical significance of an area. And, according to my layperson's reading of the law, before they dig to check core samples for burial remains, there should have been cultural consultation with Native Hawaiians on Kaua'i.

There has been the suggestion by path promoters that if they find burial remains during their digs, they will consult to rebury those remains in accordance with their interpretation of the law. The bike path promoters want to look for burial remains instead of speaking with individuals who can tell them first hand about the religious, cultural, spiritual historical sites that need protection and are designated by law to have it. The attitude this conveys is very disturbing.

At present, Kaua'i's Native Hawaiian Burial Council is not complete. The county's plan to do "burial site monitoring" means that if graves are desecrated the State Historic Preservation Department, rather than the Kaua'i Ni'ihau Island Burial Council would decide on a burial treatment plan. Due to the avoidance of an Archeological Inventory Study by this same agency, the burials will be called "Inadvertent Finds". Then, SHPD will have one day to determine whether to remove or preserve remains in place. There will not be an opportunity for recognized lineal or cultural descendants to provide input or to specify what should be done with the remains.

Wailua is surrounded by ancient heiau, so it is highly probable there are significant unmarked burial sites and other prehistoric and cultural property located on the sandy dunes of Wailua Beach that will be affected or desecrated by this project. The lack of protections for this significant historic site constitutes a serious violation of public trust by the government. And the use of Stimulus Funds to desecrate Hawaiian remains is appalling, especially because an acceptable alternate route exists.

Perhaps this is why OHA did not sign the path's original MOU for the FONSI application. Yet bike path promoters have in public repeatedly described OHA as offering support for building on the Wailua beach. I asked OHA about this to find out the truth. I was told that OHA is now looking at all the issues carefully, especially the views of Native Hawaiian cultural practitioners on Kaua'i. There are some who feel their views were not fairly or accurately included in the original process, and others who feel that their views or the views of their loved ones were misrepresented. As a non-Hawaiian resident of Kaua'i I am grateful for their care.

The lack of environmental consultation and outreach during the "public comment" phase raises more questions about the processes that path promoters followed. The proposal to build a 14-foot-wide synthetic wood bike path on Wailua a beach has obvious and far-reaching environmental impact. Kaua'i County has a very important coastal protection law in place. Why did the path promoters fail to contact the Sierra Club at the outset for consultation and input? The bike path promoters had been previously challenged by Kaua'i Sierra Club and had subsequently improved a previous section of the Kapa'a bike path. Sierra Club Executive Committee members reasonably felt that prior consultation would inform and assist bike path promoters as they proceeded with construction plans around the island. Their lack of community collaboration naturally raises reasonable questions about how much community input they sought and really wanted?

In addition to incomplete, geographically inaccurate and misleading statements, bike promoters did not extend themselves to get thorough input from a true cross-section of resident stakeholders who currently use and enjoy the beach. The current plans for the bike path are within a complex of Federal, State, and county construction projects. The beach is enjoyed by many constituents, residents and visitors alike. It is safe to say that most local community beach users don't realize what is planned for Wailua, and don't know that their local traditional beach use and parking will be affected.

Many foreseeable risks come with building a synthetic bike path on Wailua beach. The preliminary Environmental Assessment report acknowledges that the flexible path is moveable, and it will cause erosion on the beach. What path promoters do not discuss is the likely danger caused by a moveable path when strong seasonal storms and river floodwaters result in large debris, or large waves crashing onto the path. The bike path is a planned transit corridor across Wailua Beach. But in the event of a hurricane, the moveable bike path along the surging ocean would not be a safe evacuation route. If it were moved inland, behind Coco Palms, the path would be safer and more readily available for emergency use.

Bike path promoters say that they want to bring resort amenities to the coastline, but who are those amenities for? The bike path promoters they have not measured the dramatic impact of such development to this historical area. They have not even measured the amount of litter that amenities are likely to bring. Nor have they estimated chemical run-off.

A quick look at the web sites for synthetic wood manufacturers will show that in moist climates, such products mold and mildew, and they can become hazardously slick. Reducing the hazard of a slippery multi-use transit corridor will require routine chemical treatment and power washing. The county anticipates the burden of this added maintenance. But in this time of shrinking budgets, will they choose to clean the mildew and mold with a more expensive frequent-use eco-sensitive product, or salt-based and chlorine-based chemical compounds more commonly used? Whatever they use and wherever they build, it will run into the water. What will the impact of that be on the fish, reef and sea life, as well as the monk seals and sea turtles that rest on the beach?

Wailua, or "Alio" beach, is the last open beach on the east side of the island of Kaua'i. And though the Kaua'i bike path promised cultural education and sensitivity, one wonders what they plan to put on their pineapple-themed interpretive signs? What euphemisms can they use? The cruel irony of this is that the path would need to explain the very harm it created as yet another chapter of cultural discrimination, and the ongoing degradation of a sacred and important area. In fact, signs on top of the path would be symbols of systematic violations of civil rights on the anniversary of statehood: the ongoing violation of rights of freedom of religion, equal protection, as well as guarantees of life, liberty and the pursuit of happiness. I do not want taxpayer or donated dollars used for this purpose.

A growing coalition of concerned citizens supports the efforts being led by Native Hawaiian cultural practitioners on Kaua'i. Small groups have testified at meetings with path promoters. We've met with our Mayor, who has thoughtfully listened to all points of view. We've testified before our county council, and our planning commission. We've walked alternate routes with State and Federal Department of Transportation officials who agreed that the alternate route on an existing county-owned cane road has advantages. We have reached out to OHA and appreciate their ongoing careful evaluation. We have met with Anne Stewart, Chief of Staff of our Congressional Representative Mazie Hirono. And we are appealing to our U.S. Senators for their assistance on this county project using Federal funds.

We humbly ask you to help us in persuading our officials to do the right thing for our community by make sure the stimulus money is used to build the bike path mauka of Coco Palms.

For now, the false choice between respecting the land and people and getting the stimulus money continues to be used by the bike path promoters. When groups of citizens approached bike path organizers to suggest the alternate route, they were told that a new environmental assessment for the alternate route would take 12 months or longer. However, county and DOT officials have told us it could take 90 days. Yet in public testimony last month, Doug Haigh, chief of county building construction who oversees this project, said that the project could go forward and the rerouting would not necessarily cause the loss of funds because other parts of the bike path could be worked on right away.

No one voted on this huge project to go put a ring around Kaua'i. A non-profit proposed it and the county adopted it. And while many constituents enjoy the first section that was built as a concrete path in Kapa'a, other sections are being planned and permitted by local, State and Federal agencies. But the community outreach for one section is not identical for the whole island. Hard-working people, and families in each neighborhood on Kaua'i don't always have the luxury of attending long, late meetings to personally give their input on all-important matters. So here on Kaua'i the duty of care of government, and the legal outreach for community input reasonably includes collaboration with representatives of existing, well-known, readily accessible organizations. Taxpayers and residents who did not attend meetings deserve no less.

This is a good moment for Kaua'i bike path promoters to demonstrate their good faith and take steps to unify the community behind their project. This is an opportune time for them and their consultants to refresh their "best practices" in community outreach, public relations and collaboration. It will take longer and be harder for them to achieve their goals unless and until they can be trusted to keep their promises and treat each community with respect.

PREPARED STATEMENT OF THE HAWAII STATE LEGISLATURE

When Congress adopted the American Recovery and Reinvestment Act of 2009 this spring, we were heartened to see that the Federal stimulus program included provisions that offer meaningful assistance to States vis-à-vis high-speed broadband deployment.

However, we have since learned that the NTIA notice of funding availability (NOFA) unfortunately precludes important stakeholders like State educational institutions, healthcare providers and libraries from being able to apply and qualify for STOP funding for broadband infrastructure. Since Hawaii is the only State with the added financial burden of connecting with the continental United States, we are concerned that NTIA's present NOFA criteria severely limits our participation in President Obama's vision of high-speed broadband as a driver for economic recovery.

We therefore join in endorsing the recommendations made by the Schools, Health and Libraries Coalition (see attached July 14, 2009 letter); and request the U.S. Senate Committee on Appropriations to seek NTIA's commitment to issue an addendum to its NOFA and application deadlines regarding the importance of service to State anchor institutions.

Thank you for considering our comments.

JULY 14, 2009.

Hon. LARRY STRICKLING,
Assistant Secretary of Commerce, Administrator, National Telecommunications and Information Administration, U.S. Department of Commerce, Washington, D.C.

DEAR ASSISTANT SECRETARY STRICKLING: The members of the Schools, Health and libraries Broadband Coalition congratulate you on the release of the Notice of Funds Availability (NOFA) and other application materials to implement the Broadband Technologies Opportunities Program (BTOP). You and your staff should be proud to have provided the public with such a thoughtful and detailed set of rules concerning the operations of this critical program. We believe that the STOP program can, with just a few changes, bring enormous benefits to the American public.

While we appreciate the complexity of this undertaking and the short amount of time that NTIA was given to put these rules together, we are somewhat disappointed that anchor institutions such as schools (including K–12, colleges and universities), libraries and healthcare providers were not given a higher priority in the BTOP program. Broadband service to these anchor institutions was specifically listed as one of the five priorities in section 6001 of the American Recovery and Reinvestment Act. We believe that these critical strategic institutions should be given the highest priority for funding because they provide essential educational and medical services to millions of American consumers every day, These institutions require very high-capacity broadband connections—100 megabits to 1 gigabit and higher—to provide distance learning, remote medical imaging, on-line job training, and many other critical services.

Unfortunately, the NOFA does not reflect these critical needs, We are concerned that the rules for these programs will make it difficult or impossible for many anchor institutions to apply for and/or receive funding for the broadband connections that they need. For instance:

—The NOFA adopts a single definition of broadband (768 kbps download) that is inadequate for anchor institutions. While we appreciate that flexibility for projects intended to serve other populations or entities, it is not adequate for anchor institutions, We suggest that applicants should be encouraged to meet a separate broadband metric requiring facilities capable of delivering 100 megabits per second to 1 gigabit per second or higher when serving schools, libraries, and healthcare institutions. Even though some anchor institutions may only be able to subscribe to a lower service offering today, their broadband connection should be easily upgradeable and capable of delivering higher speeds as demand grows.

—The NOFA applies the terms "unserved" and "underserved" to anchor institutions, even though the statutory language does not. (In the statute, these terms only apply to residential consumers.) The result is that thousands of libraries, K–12 schools, colleges and universities, hospitals, health clinics, and other anchor institutions in urban and suburban areas that provide critical services to the public will not be eligible for STOP funding. We respectfully ask that notions of "unserved" or "underserved" not be applied to anchor institutions.

—The NOFA does not give specific scoring "points" for applications that provide high-capacity broadband service to anchor institutions and generally does not provide sufficient incentives to service providers to build broadband networks to anchor institutions. In order to ensure that service providers have sufficient incentives to serve anchor institutions, points should be given for applications that seek to connect anchor institutions with broadband connections of 100 megabits per second to 1 gigabit per second or higher.

—The NOFA places the burden on the applicant to demonstrate that its area is "unserved" or "underserved" even though this information is held on a confidential basis by service providers. A service provider could potentially derail a legitimate application to serve anchor institutions by submitting proprietary information about the level of service in the area that the applicant has no opportunity to review or contest. In order to address this concern and ensure that applicants have sufficient incentives to serve anchor institutions with high-capacity broadband, we ask that the unserved and underserved distinctions not apply to connecting anchor institutions and that applicants be given an opportunity to review and contest any information provided by a service provider.

—The NOFA may prohibit a private sector award winner from selling or leasing its network for 10 years, which may discourage private sector applicants from partnering with anchor institutions to deploy high-capacity broadband service. To ensure that private sector entities have a greater incentive to work with anchor institutions to provide high-capacity broadband connections, we ask that this requirement be modified. We do, however, strongly believe that public interest standards present in the Recovery Act and NOFA as statutory contractual obligations should not be evaded by any sale or leasing of the network.

—We appreciate the guidance that applications to provide service to anchor institutions will be considered for Middle Mile funding, that anchor institutions are not required to provide service to the surrounding residential community, and that only one census block must be unserved/underserved. However, the NOFA and the Application itself do not always reflect this guidance. For instance, questions #14 and #18 in the Application appear to assume that applications from anchor institutions will serve the surrounding community. We are also somewhat confused by the request for information about "contiguous census blocks". This information request does not appear to be compatible with a plan to build a fiber ring (to pick one technology plan for illustrative purposes) that serves only anchor institutions. Further clarification of how anchor institutions may apply for funding only to serve those anchor institutions with high-capacity broadband would be appreciated.

—As a general matter, there is very little discussion in the NOFA or the application materials concerning the relationship between the BTOP programs and the "E-rate" program. In theory, these two programs should be complementary, but the rules do not clearly explain how to ensure that they are compatible. Further clarification of the interaction between these programs would be extremely useful.

Many Federal officials, including yourself in your opening comments at the July 7, 2009 workshop, have recognized the need for anchor institutions to have high-capacity broadband. We frequently heard that the intention of the program is to assist anchor institutions obtain high-capacity broadband, but this intention is not always reflected in the language of the NOFA. For this reason, we respectfully request that NTIA issue an addendum to the NOFA and to the application guidelines recognizing the importance of service to anchor institutions and reflecting the points noted above. In addition, we also ask that any future NOFA reflect the positions outlined above.

Once again, we are truly impressed with the high quality and professionalism of the work that has gone into the preparation of the NOFA. In many ways, the NOFA seeks to meet the overall goals of the legislation and the needs of the public for greater broadband capabilities. Nonetheless, we feel obligated to request these clarifications because of the priority given to anchor institutions in the statutory language and because high-capacity broadband connections to schools, libraries and healthcare entities are so critically important to the essential services they provide to millions of people every day.

Sincerely,

JOHN WINDHAUSEN, JR.,
Coordinator, Schools, Health and Libraries Broadband Coalition.

MEMBERS OF THE SCHOOLS, HEALTH AND LIBRARIES BROADBAND COALITION

(46 Members—Updated as of Monday, July 13, 2009)

Sean McLaughlin, Access Humboldt; George Boggs, American Association of Community Colleges; Mary Alice Baish, American Association of Law Libraries; Kristin Welsh, American Hospital Association; Lynne Bradley, American Library Association; Shmuel Feld, Benton Foundation; Jill Nishi, Bill & Melinda Gates Foundation; Malkia Cyril, Center for Media Justice; Dee Davis, Center for Rural Strategies; Susan McVey, Chief Officers of State Library Agencies; Don Means, Community Telestructure Initiative; Keith Krueger, Consortium for School Networking; Joel Kelsey, Consumer's Union; Gene Wilhoit, Council of Chief State School Officers; Lillian Kellogg, Education Networks of America; Wendy Wigen, EDUCAUSE; Ben Scott, Free Press; H. Stephen Lieber, Healthcare Information and Management Systems Society (HIMSS); Rick Whitt, Google Inc.; Hilary Goldmann, International Society for Technology in Education; Marianne Chitwood, Indiana's Higher Education Network (I-Light); Gary Bachula, Internet2; Bob Handell, KeyOn Communications; Mike Phillips, Lonestar Education and Research Network; Amalia Deloney, Main Street Project; Andrew J. Schwartzman, Media Access Project; Beth McConnell, Media and Democracy Coalition; Todd Wolfson, Media Mobilizing Project; Don Welch, Merit Network, Inc.; Paula Boyd, Microsoft; Helen DiMichiel, National Alliance for Media, Arts and Culture; Alex Nogales, National Hispanic Media Coalition; Tom West, National Lambda Rail (NLR); Steve Solomon, National Medical Wireless Broadband Alliance, LLC.; Alan Morgan, National Rural Health Association; Michael Calabrese, New America Foundation; Tim Lance, New York State Education and Research Network (NYSERNet); Joe Freddoso, North Carolina Research and Education Network; George Loftus, Ocean State Higher Education & Administrative Network (OSHEAN); Harold Feld, Public Knowledge; Jen Leasure, The Quilt; Brian Quigley, Sunesys; Deanne Cuellar, Texas Media Empowerment Project; Cheryl Leanza, United Church of Christ; Susan Benton, Urban Libraries Council; Amina Fazlullah, U.S. Public Interest Research Group (USPIRG).

PREPARED STATEMENT OF MAUI ECONOMIC OPPORTUNITY, INC.

Aloha Chairman Inouye and committee members, mahalo for the opportunity to present this testimony before you today on the implementation of the American Recovery and Reinvestment Act within the State of Hawaii.

Maui Economic Opportunity, Inc. is a 45-year-old community action agency. The war on poverty, initiated by the Economic Opportunity Act of 1964 created agencies like ours to alleviate the affects of poverty and help people in need become self-sufficient.

Since 1965 our agency and the people Maui County and the State of Hawaii have benefited from a close relationship with Federal agencies such as Labor, and Health and Human Services. The opportunity created for maximum feasible participation through local agencies like ours helps the communities we serve have a positive stake in the implementation and success of programs that we operate.

Historically we have operated and continue to operate Federal programs like Community Services Block Grant, Head Start, Low Income Home Energy Assistance Program, Weatherization Assistance Program, Senior Community Service Employment Program, and The Emergency Food Assistance Program.

The American Recovery and Reinvestment Act afforded community action agencies to be on the front line assisting the Federal and State governments with the economic recovery of our nation and our communities. Working closely with Federal, State and county governments, we are one of the largest non-governmental groups supporting the recovery efforts.

As an example, MEO is currently operating seven ARRA initiatives. These ARRA funded programs include: Corporation for National Service—AmeriCorps; Community Services Block Grant; Head Start; Homeless Prevention and Rapid Re-housing; Senior Community Services Employment Program; Summer Youth Employment Program; and Weatherization Assistance Program.

In all, MEO expects nearly $4 million of ARRA funds. While small compared to capital projects, they are a large investment in the recovery of the people affected by this recession. We have designed these programs within the parameters allowed to increase job opportunities and training for high-growth areas such as green jobs, healthcare and education.

The State oversees the implementation of most of these programs. We are working closely with various State agencies such as, the Hawaii Public Housing Authority, Department of Labor and Industrial Relations, the Office of Community Services and the University of Hawaii. We also have the opportunity to work with the U.S. Department of Health and Human Services and the Maui County Workforce Investment Board for two of the programs.

As of today, we have received contracts for and have started implementation of all but one of the programs. One program, the Summer Youth Employment Program has exceeded its goal and is near completion. Required modifications to State plans and delay in Federal guidance have caused most of the difficulties.

The provisions of the ARRA reflect the desire of Congress, the President and taxpaying citizens to ensure the Federal funds are being carefully spent and used to fund projects, create jobs and bolster support services. Everyone wants to make sure that fraud and abuse are prevented on all levels. The President's recovery.gov and regular agency updates seek to provide a transparency and oversight not common with other initiatives. This has put those responsible in Federal and State agencies on high alert and created a sense of caution that has caused delays in program implementation that would have otherwise been fairly routine. We appreciate the State's effort in interpreting the piecemeal guidance that has been forthcoming.

The task of spending the stimulus money both wisely and quickly is a difficult one but not one that is insurmountable. Partnerships with agencies like MEO allow for the quick ramp up of resources to meet those needs. We have the experience, accountability and flexibility to be successful when given the chance.

Thank you again for the opportunity to provide this testimony. If you have specific questions, I am available and pleased to address them.

PREPARED STATEMENT OF THE WEST HAWAI'I EXPLORATIONS ACADEMY

Dear Chairman Inouye, and Honorable Members of the Senate Committee on Appropriations: West Hawai'i Explorations Academy Public Charter School, in the protection of its students and program integrity, formally requested the following draft element of the Kona International Airport Master Plan related to Airport Noise be reconsidered by the DOT, and revisited with officials of the FAA:

"As indicated in Chapter Four, there is one noise sensitive institution, the West Hawai'i Explorations Academy (WHEA), located within the 65 to 70 DNL contour range. The Federal Aviation Administration (FAA) has determined that WHEA is not eligible for funding from the noise set-aside portion of the Airport Improvement Program (AlP) as well as funding from DOT–A for sound insulation or relocation of facilities and trailers due to the structure of sub-leases they currently have with the State of Hawai'i." (6–17)

Pursuant to Executive Order 3074 signed by Governor Ariyoshi (1981) for "Setting Aside Land for Public Purposes":

"By this executive order, I, the undersigned, Governor of the State of Hawai'i, by virtue of the authority in me vested by Section 171–11, Hawai'i Revised Statutes, and every other authority to me hereunto enabling, do hereby order that the public land hereinafter described be, and the same is, hereby set aside for the following public purposes:

"For an airport, and energy research project, and their associated purposes, to be under the control and management of the Department of Transportations (Airports Division), State of Hawai'i, and to be designated as the Keahole Airport, situate as O'oma 1st to Mahaiula, North Kona, Island of Hawai'i, Hawai'i . . ."

The WHEA Community of students, staff and parents requested that DOT, in consultation with the FAA, carefully reconsider the current unsupportive assessment in the KOA Master Plan for noise mitigation. Dismissing WHEA's concerns under the "structure of sub-leases they currently have with the State of Hawai'i" in light of this Executive Order ignores entirely the longstanding relationship between our unique school, and the associated educational mission of the Natural Energy Laboratory Hawai'i Authority (the "Energy Research Project" specified in EO 3074).

While WHEA does not claim equal standing as the "airport" or the "energy research project" our 15-year track record as a public school partnering with NELHA in fulfilling environmental and energy education missions certainly suggests enhanced standing under this executive order. States may employ various instruments to establish land tenure, executive orders being just one, and therefore, the nuances of this situation clearly suggest it would be prudent to re-examine whether assistance in relocating out of the significant sound impact zone can be provided under Part 150.

It would also be prudent to consider ARRA funding as a possible means to assist the school, since both FAA and Hawai'i DOT have qualifying program priorities. It should be noted that WHEA is an award-winning, nationally recognized model school focused on STEM education and replicable curricular practices. The relationship between NELHA and the airport expansion makes WHEA a perfect fit to participate as an educational component for both.

As an illustration, WHEA's largest educational initiative is our Aloha Kai Tours. WHEA has attracted an estimated 20,000 visiting school children from across the State, who have toured the campus to learn about NELHA and WHEA student projects. In addition, WHEA has promoted alternative energy, and environmental stewardship throughout the entire West Hawaii Community. It is currently a STEM partner with UH on a CAD "Makery Cloud" project, and is planning solar car, and aeronautics projects starting later this year.

As mentioned previously, this is a nuanced situation.

WHEA is not a just your run-of-the-mill "incompatible use" that happens to be near an airport. In June of 2008, WHEA received the Governor's Innovation Award. In 2005, it won the prestigious Intel and Scholastic Schools of Distinction Award. WHEA's Hawai'i State Assessment scores consistently rank near the top for secondary schools. There is a clear community desire to have WHEA continue operations as a part of the NELHA and Kona community.

We believe under Title 14 CFR Part 150, the presence of increased noise impacts due to the KOA expansion raises specific concerns.

—That the noise mitigation programs are in fact able to provide assistance, but are reluctant to be based on a technicality of law;

—That the community's desire to maintain this highly successful public school in NELHA is not being respected therefor;

—That sound impacts on children are potentially being glossed over based on incomplete information in the KOA master plan;

—And, finally, that there has been broad reluctance to even consider WHEA as a fit for ARRA program support, despite the need for timely assistance to mitigate the impacts of the airport expansion.

Specific to Item #3, "Discussions with school staff and a review of flight track data indicate that departure turns over the school do occur but are not very frequent. In addition, this school plans to relocate to a site outside the 65 DNL noise exposure contours. Therefore, special noise abatement departure procedures are not necessary at this time", and "the school is planned to be relocated" would lead the reader to believe that it is all but taken care of. This is far from true. WHEA had begun conceptualizing a move within a 15- to 20-year time frame as of 2004, with obtaining outside financing and State CIP as the obvious processes. That window is now just 4 to 6 years under the master plan. In short, relocation before the increase noise impacts occur just became nearly impossible without additional consideration or support.

PREPARED STATEMENT OF THE HAWAII STATE TEACHERS ASSOCIATION

Chair Inouye and Members of the Committee: Thank you for holding this hearing and giving teachers, public school staff and everyone who cares about the future of Hawaii's public education system the opportunity to provide input on the importance of Federal stabilization funds.

Hawaii's public school teachers deeply appreciate the effort made by you and our congressional delegation to ensure our students continue to receive the educational programs and services they need and deserve. The stabilization funds are critical to keep our teachers teaching and our students learning.

Unfortunately, the State administration has not followed the spirit in which these appropriations were made. Instead, the administration has put in funds with one hand and taken even more money out of the DOE budget with the other. This completely violates the purpose of the Federal appropriation as we understand it. By putting the Federal funds in for 1 fiscal year and then cutting the DOE by a greater amount the following years, the administration has undermined the intent of President Obama and Congress to soften the blow to our students and their schools.

I would also like to thank the members of the Board of Education for their efforts to protect the students in the classroom from the full impact of the cuts being made to the DOE. Hawaii's teachers understand board members have to make a number of tough decisions and no program, group or individual can entirely avoid the effects of the DOE's financial crisis.

Our teachers especially appreciated the board's recommendation that the governor apply for Federal stabilization funds and use them as Congress intended, in order to minimize damage to our public schools. In our testimony today we want to highlight the fact that teachers need both instructional days and preparation time to do their jobs effectively. Cutting funding means reducing one or both of these essential needs in the coming years when the full force of the cuts hits.

Teachers already use part of their own pay to enhance the learning environment in their classrooms, to ensure students have the necessary supplies and materials, and to provide help with field trip costs, lunch money and other monetary needs the families of some students just cannot afford. Even so, teachers remain willing to do more. But while my colleagues and I understand that everyone must make sacrifices during this fiscal crisis, we cannot lose sight of our priorities or our future.

A child is only 7 once, and now is not the time to turn our backs on Hawaii's future doctors, lawyers, artists, and teachers. Despite the difficulties we face, we need to continue investing in students by investing in education. We appreciate everything you have done in this area and hope you will be able to continue to provide this much needed support.

Thank you very much.

LETTER FROM SENATOR DANIEL K. INOUYE

SEPTEMBER 23, 2009.

Hon. LINDA LINGLE,
Governor, State of Hawaii, State Capitol,
5th Floor, Honolulu, Hawaii.

DEAR GOVERNOR LINGLE: Thank you for your letter following up on the recent Senate Appropriations Committee hearing in Honolulu on August 24, 2009. Please be assured that your letter will be made part of the hearing record.

I appreciated your comments, and the strides your administration has made in moving the Hawaii Clean Energy Initiative forward. It is the correct path to take and to continue to persevere even in this most difficult of economic times. As I have stated in the past, had Hawaii stayed the course in the 1970's after the Arab oil embargo, just imagine where Hawaii would be today, particularly in the development of our geothermal energy and ocean thermal energy conversion (OTEC).

Nonetheless, we must move forward based on current circumstances, once again committing ourselves to reduce our dependency on foreign oil. I congratulate you and Hawaiian Electric Company for working together toward an ambitious goal of 70 percent clean energy by 2030. We must acknowledge that a large part of the collective success has been due to the U.S. Department of Energy's commitment of financial resources and technical expertise, much of which can be attributed to Special Assistant and State of Hawaii Liaison Bill Parks. He has, without question, been a resource to me and my staff.

From what I understand, Mr. Park's comments related to your veto of the barrel tax which would have provided an important source of matching funds to be used in the ongoing energy grant competitions arising from the American Recovery and Reinvestment Act (ARRA). As you know, research and development solicitations require a 25 percent local match, and demonstration solicitations require a 50 percent local match. Having the barrel tax monies would have allowed Hawaii to bid for many more projects than we are presently able to because of the inability to put up a local match.

What's done is done. We need to chalk it up as a missed opportunity and move on. The Hawaii Clean Energy Initiative provides the framework to be a national model. It remains incumbent on all of us to propel the numerous projects forward which include the underwater transmission cable, smart grid, battery and storage upgrades, OTEC and numerous other defense-led endeavors. In this regard, it is imperative that smart, strategic investments are made with the $25.9 million the State received in ARRA energy efficiency funds to further this goal. I appreciate the detailed breakdown of your plans for these funds that was included in Director Liu's testimony. I encourage your administration to work closely with my office in order to prioritize our Federal investments.

I am committed to a greater clean energy future for Hawaii, and am presently working toward an enduring Federal energy presence in Hawaii. I believe that the broad array of expertise that Bill Parks brought to Hawaii will continue to be critical to our collective ability to reach your goal of 70 percent clean energy by 2030.

Thank you again for your letter.

Aloha,

DANIEL K. INOUYE,
United States Senator.

LETTER FROM LINDA LINGLE, GOVERNOR, STATE OF HAWAII

SEPTEMBER 1, 2009.

Hon. DANIEL K. INOUYE,
United States Congress,
722 Hart Senate Office Building, Washington, D.C.

DEAR SENATOR INOUYE: I appreciated the opportunity to appear before you and Senator Akaka last week to discuss Hawaii's economy and the role of the American Recovery and Reinvestment Act (ARRA). As indicated in my verbal and written testimony, the ARRA funds will play an important role in helping Hawaii address its current economic challenges over the next several years.

You indicated during the hearing that you would keep the committee record open to allow for supplemental comments: I would like to take this opportunity to correct an impression that may have been conveyed in the testimony offered by Mr. William Parks, a member of the staff of the U.S. Department of Energy.

Mr. Parks, in his verbal and written testimony, expressed concern about State funding for energy activities. I believe these concerns are misplaced and I would like to clarify that my administration has devoted significant fiscal and personnel resources in pursuing Hawaii's Clean Energy Initiative and will continue to do so.

More than 3 years ago my administration launched our Energy for Tomorrow program, recognizing Hawaii had to significantly reduce our dependence on imported fossil fuels. At that time, we restructured the Strategic Industries Division within the State Department of Business, Economic Development and Tourism (DBEDT) and added additional staffing to the Public Utilities Commission. The Commission is playing a critical role in the regulatory changes that are necessary to promote and encourage renewable energy projects.

Most recently, despite a serious general funds gap in the State budget, my fiscal year 2010–2011 biennium budget included an internal reallocation of 30 positions and $6.6 million in funding to support the Hawaii Clean Energy Initiative (HCEI) within DBEDT. This reflected my administration's recognition that HCEI was creating promising opportunities and positioning Hawaii to be a leader in renewable energy development. Our partnerships with the U.S. Department of Energy, Hawaiian Electric Company, Project Better Place, Phoenix Motorcars, and other clean energy projects are a testament to this effort that will pay dividends in the years ahead.

Although the State Legislature did not approve portions of our biennium budget proposal, the Strategic Industries Division within DBEDT has been able to effectively use Federal grants to supplement State funds to keep our efforts on track. I want to personally thank you for your support in obtaining Federal funding.

My administration and I look forward to working with you to continue the progress we have made in the clean energy arena. Thank you for the opportunity to clarify this matter.

Sincerely,

LINDA LINGLE.

CONCLUSION OF HEARING

Chairman INOUYE. So, to all of you, I thank you, and with that, the hearing is recessed. Thank you.

[Whereupon, at 12:38 p.m., Monday, August 24, the hearing was concluded, and the committee was recessed, to reconvene subject to the call of the Chair.]

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