



State of Hawai'i

ACTION ROOTED IN VALUES

STATE OF THE STATE
GOVERNOR JOSH GREEN, M.D.

January 23, 2023

First Message to the Hawai'i State Legislature

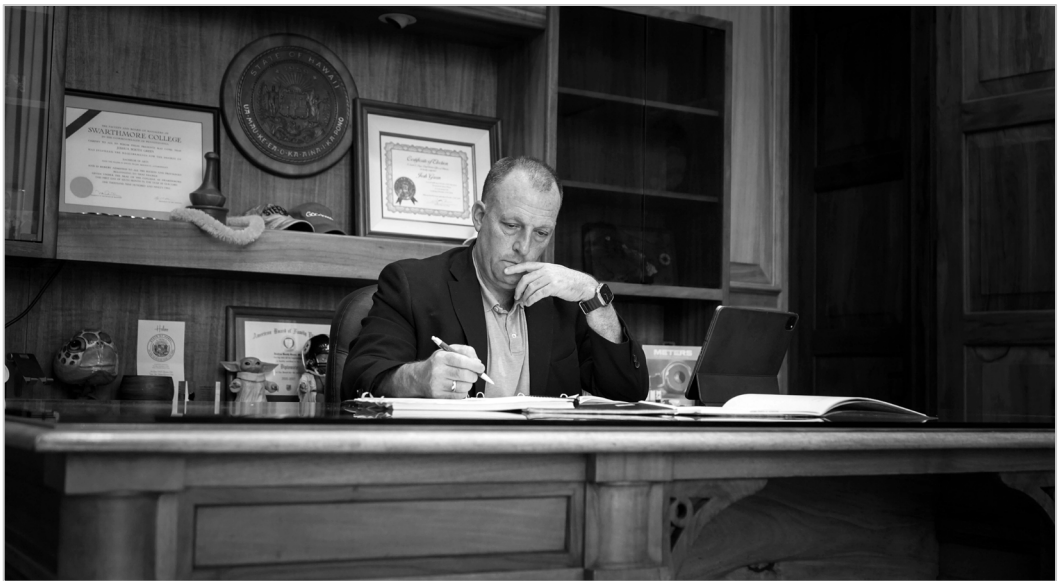
Thirty-Second Legislature, First Session

“The governor shall, at the beginning of each session, and may, at other times, give to the legislature information concerning the affairs of the State and recommend to its consideration such measures as the governor shall deem expedient.”

Article V, Section Five

Constitution of the State of Hawai'i

The proposals made in the First Message to the Legislature are a foundational step for the definition of the Governor’s agenda in 2023. Additional policies and funding details are forthcoming with the Governor’s Budget Message in early February.



Josh Green
Josh Green, M.D.
Governor, State of Hawai'i

FOREWORD

A MANDATE FOR BOLD ACTION

There is consensus in Hawai‘i’s communities: bold action and concerted change are needed to move Hawai‘i forward. The Green Administration is prepared to partner with community and government stakeholders to deliver what’s needed for our Hawai‘i.

On Monday, January 23, 2023, the Green Administration delivered its first message to a joint session of the Thirty-Second Legislature of the State of Hawai‘i. This first message articulates our vision for fostering a new sense of statewide unity.

In building on that first message, this book articulates several critical elements of our agenda for Hawai‘i. These elements include: (1) our **homelessness** and **housing** strategy; (2) the **Green Affordability Plan**; (3) **climate change**; and (4) our **health care crisis**.

Where there is opportunity, the Green Administration takes action. Where there is a challenge, we facilitate solutions. Our approach builds on collaboration in close partnership with our communities across Hawai‘i. Our **new unity** is the basis for a vision of Hawai‘i as **one ‘ohana**, a place where no challenge is too large or too daunting for our people.

INTRODUCTION

The preamble to Hawai‘i’s constitution holds that “we reserve the right to control our destiny, to nurture the integrity of our people and culture, and to preserve the quality of life that we desire.”

It is not only our right, but our kuleana—our responsibility—to take action to control our destiny and preserve our quality of life.

Our constitution gives us that right, and the people of Hawai‘i have given us this mandate and imperative as their elected leaders.

Today we need new ideas, new solutions—and bold action rooted in our shared values.

Business-as-usual won’t work anymore—there is simply too much at stake to accept the status quo.

Each day without action means another family forced to move to the mainland, another child sleeping on the street, another local business closing, and another precious natural resource put at risk.

Each day without action means we miss another opportunity to heal Hawai‘i, do what is right and just, and preserve our islands for future generations.

My administration has already begun to act with urgency since day one.

We will continue to take bold action on providing affordable housing for working families, ending homelessness, protecting our environment, and doing everything in our power to make Hawai‘i more affordable for our people.

Our State motto says so powerfully:

“The life of the land is perpetuated in righteousness”—and *this* is the moment for righteous—for bold action rooted in our common values.

So I ask everyone here to say **YES** to the wisdom guiding us in our constitution, in our motto, and in the mandate the people have given us.

Say **YES** to new ideas and solutions, and to putting our values into action.

- **YES**, we can achieve our goals
- **YES**, we can overcome our challenges.
- **YES**, we can make a difference in our communities and in the lives of the most vulnerable.

We say:

- **YES** to more housing.
- **YES** to more jobs and opportunities for our residents.
- **YES** to leading the world on renewable energy.
- **YES** to lowering the cost of living.
- And **YES** to governing ethically.

We owe the people of Hawai‘i an effective government that takes action.

If we accept our kuleana, follow the mandate we have been given, and take action rooted in our common values, we will show the people of our state that we are working for them, and that they can believe in their government again.

WHAT WE'VE DONE

Today is Day 49 of our Administration. We've had about 1,000 hours on the job, and we've accomplished a great deal in this short time:

- We nominated a cabinet of qualified State Leaders, led by my Chief of Staff, Brooke Wilson.
- We showed respect to our valued public workers with admin leave during the holiday season, a move which also supported local spending and Hawai'i's small businesses.
- We've announced a new Educator Tax Credit so that our dedicated teachers can receive a \$500 credit to support Hawai'i's students.
- We released \$50 million in Grants-in-Aid to directly support our non-profit and service providers for the critical work they do in our communities.
- We've proposed a Climate Impact Fund of \$100 million to fight climate change through targeted investments in green infrastructure and existing conservation efforts.
- We've announced the return of over 363 acres to the Hawaiian Homes Commission on Moloka'i for beneficiaries.
- We've signed an agreement with Haneda Airport to streamline travel and promote Made-in-Hawai'i products and improve our Daniel K. Inouye International Airport.
- We took immediate action to prevent disruption in health care service to our rural communities following the Hawai'i Life Flight tragedy—saving lives along the way.

This is an Administration of action. We know that now is the time to invest in our people and our communities. If we don't make critical investments in climate, housing, and education now, we all suffer collectively later.

Because of this, I will identify several of the core priorities our Legislature and Administration must act-on to move our State forward.

JOSH GREEN, M.D.

TABLE OF CONTENTS

Foreword	iii
Introduction	iv
Section I.....	1
Section II	5
Section III	10
Section IV	13
Action Rooted in Values	15
Appendix	17

SECTION I

HOMELESSNESS AND HOUSING

HOMELESSNESS

Homelessness continues to be a crisis for our islands, as it is for every place with a high cost of housing in this country. In the past, efforts to address homelessness have often emphasized enforcement and triage, pushing people out of one neighborhood and into another, moving people from street to shelter or temporary housing, where afterwards many find themselves back where they started. We *have* made progress over the past few years, but the number of people on the street (those experiencing “unsheltered” homelessness) continues to rise. We need to shift our focus from temporary fixes to what we know is the permanent solution to this crisis: long-term and real affordable housing, with the support for people to heal and find their place in a community again. We need these places immediately.

Permanent Supportive Housing

We will work to quickly acquire or construct real affordable housing and provide the supportive services for those in need. An Emergency Proclamation on Homelessness will allow rapid acquisition or construction of projects that will quickly house our unhoused neighbors. In addition, we’ve requested \$30 million in ‘Ohana Zone funding for the next fiscal biennium to support innovative approaches to supportive housing and related services. Since the creation of the ‘Ohana Zone Program under Act 209, SLH 2018, ‘Ohana Zones have served 5,510 individuals statewide and placed 1,368 individuals into permanent housing. The program has also preserved 358 beds/units statewide and added 469 new beds/units to our shelter and housing inventory. Additional ‘Ohana Zones funding would provide:

- \$9 million for the City and County of Honolulu to support the continuation of innovative outreach and transition services, and supportive housing projects;
- \$2 million for Maui County to support the continuation of Huliau supportive housing;
- \$2 million for Kaua‘i County to support Kealaula at Pua Loke and add new supportive housing in ‘Ele‘ele; and
- \$2 million for a multi-service project to end homelessness in Hawai‘i County.

2023 STATE OF THE STATE

Kauhale & Non-Traditional Housing

In addition to conventional supportive housing, we will use State lands and resources to create Kauhale, modeled after successful community efforts like Pu‘uhonua O Wai‘anae and Hui Mahi‘ai ‘Āina in Waimānalo. Kauhale will demonstrate low-cost, low-footprint housing models to quickly house those experiencing homelessness. These projects will be operated in ways that provide a village environment for people to support each other’s healing and progress.

Expand Space for Mental and Behavioral Health Treatment

Third, there are those on the street with serious mental and physical health conditions, so severe that they are a danger to themselves or others. This is a growing concern across the islands, not just here on O‘ahu. Right now, there are too few facilities to provide care for these folks. As a result, they end up cycling in and out of the ER or the prison system, and then return back to the street. We will work to expand facilities that provide necessary acute care and treatment; additionally, we will streamline processes for getting people into treatment when they are unable to care for themselves.

Housing First

Housing is a key social determinant of health. Stable housing serves as a platform from which an individual can pursue personal goals and improve their health and quality of life. The State’s Housing First Program funds critical outreach; emergency and transitional shelter; rapid re-housing; and permanent supportive housing services. These services secure and maintain permanent housing for individuals experiencing homelessness. We are requesting \$3,750,000 in each fiscal year to maintain Hawai‘i’s Housing First Program.

Rapid Re-housing

Many low-income individuals and families in Hawai‘i are just one financial crisis away from falling into homelessness. We are requesting \$3,750,000 each fiscal year to maintain funding for the State’s Rapid Re-housing Program. This funding will provide financial support and services for individuals and families at risk of homelessness to help move them into permanent housing quickly.

2023 STATE OF THE STATE

Outreach and Civil Legal Services

Homeless individuals often have a difficult time navigating the complex systems to find permanent housing solutions. This funding will allow service providers to continue providing critical outreach and support services, including assistance in obtaining identification documents and other vital records (e.g., birth certificates), identifying and locating suitable housing options and providing support through the housing location and move-in process, and assistance with job search and applications for public benefits. We are requesting \$1,750,000 in each fiscal year to maintain outreach and civil legal services to unsheltered individuals and families across the state.

Family Assessment Centers

Combined, the two centers have provided immediate shelter for 367 families falling into homelessness since 2016. This funding will continue the operations of these Family Assessment Centers to provide immediate shelter and assistance in finding permanent housing for families at risk of homelessness or experiencing homelessness. We are requesting \$1,550,000 in each fiscal year to continue funding for the Family Assessment Centers in urban Honolulu and Puna, Hawai‘i.

HOUSING

The affordable housing crisis in Hawai‘i has reached a state of emergency. Even before statehood, Hawai‘i has been in a housing crisis. **The Department of Business, Economic Development, and Tourism (DBEDT) finds that the State will require an additional 50,126 homes by the year 2025.**

Governor Green’s statewide effort to address the affordable housing crisis will focus on three main priorities:

1. Prioritize, protect, and provide housing for our local people;
2. Invest in critical infrastructure and development of new housing units;
3. Collaborate and coordinate with key Federal, State, County, and private sector stakeholders to streamline processes.

That is why Governor Green is proposing over \$1 billion for investment in housing.

These funds will be used to support major investments in the Hawai‘i Public Housing Authority to renovate and upgrade public housing units; to provide State rental

2023 STATE OF THE STATE

subsidies to low-income families; and to boost financing for more affordable housing units through the Hawai‘i Housing Finance and Development Corporation.

We pledge transparency in our efforts and remain steadfast in our commitment to prioritize, protect, and provide housing for our local people.

Dwelling Unit Revolving Fund (DURF)

The DURF was established through Act 105, SLH 1970 to provide developers with construction financing for affordable housing. In that year, the scale of Hawai‘i’s housing crisis had reached a breaking point. With mortgage rates at a twenty year high, severely constricted housing supply, and median home prices topping \$1.1 million, Hawai‘i is facing an even deeper housing crisis today. My administration is committed to significant investment that will deliver affordable homes. Additional requested funds will provide assistance with the acquisition of real property; development and construction of residential, commercial and industrial properties; investment in infrastructure necessary for new development; and interim and permanent loans, including pre-development loans, to developers. We are requesting \$500 million over the biennium for the DURF.

Rental Housing Revolving Fund (RHRF)

There is a desperate need for affordable rental housing across our state, but extraordinary barriers exist that inhibit its development including increased construction financing costs as a result of the pandemic. Organized by Act 237, SLH 2015, the RHRF is a tool for supporting our renters and rental housing development across the State of Hawai‘i. Investments into RHRF will provide equity-gap low-interest loans to qualified owners and developers for the construction of new and acquisition and or rehabilitation of existing affordable rental housing to lower the cost barriers in developing affordable housing. We are requesting \$400 million over the biennium for the RHRF.

Grants Incentivizing the Construction of Affordable Rental Housing

Understanding the importance of collaboration with county stakeholders in expanding affordable housing, the state would match grants to private developers who develop affordable units, including up to \$9,000 per unit rented to households earning between 60-100% AMI, and up to \$15,000 per unit rented to households earning below 60% AMI. We are requesting \$10 million to provide matching grants to City and County of Honolulu’s new grant program established by Bill 1 (Ord. 21-12) to incentivize the construction of affordable rental housing.

SECTION II

COST OF LIVING—THE GREEN AFFORDABILITY PLAN

Hawai‘i grapples with the highest cost of living in the country—nearly two times the national average. As a result, almost half of Hawai‘i’s families struggle to make ends meet, with one-third belonging to Asset Limited, Income Constrained, Employed (ALICE) Households, and approximately 10% falling below the Federal Poverty Level. With several families only one paycheck away from trouble, many middle-income residents and families are moving to the mainland for more affordable living.

As inflation rates and cost-of-living expenses continue to rise, we are proposing the **Green Affordability Plan (GAP)** to provide relief and a significant increase in tax credits to the lowest income households.

44% of Hawai‘i’s families have a challenge making ends meet—a problem that has only grown more acute in the aftermath of the pandemic. Since 2020, the share of households living below the Federal Poverty Level (15%) and the share of households living below the ALICE threshold (44%) have increased. So too has the cost of living. These trends are felt most starkly by communities of color. Those who identify as Native Hawaiian, Filipino, and of other ethnicities are more likely to be ALICE or living below the Federal Poverty line—60% of Native Hawaiian and 59% of Filipino residents fall below the ALICE threshold.

Yet support for ALICE and working families in Hawai‘i is still lacking. The GAP bill aims to increase income assistance to the state’s lowest income families, enable ALICE households to access tax credits and relief, and support working parents by reducing childcare costs. This will ultimately drive economic growth.

In order to make Hawai‘i a more economical place for our ‘ohana, Governor Josh Green is proposing the **Green Affordability Plan**, which is the largest tax reduction in the *history of the state*. The GAP will reduce individual income tax by 10% and offer tax relief for those who need it most. The proposed plan spans four key dimensions:

2023 STATE OF THE STATE

- 1. Increase income assistance to lowest income families**
 - We aim to boost income support to families earning less than \$45,000 per year through the following initiatives:
 - Double food excise tax credit;
 - Increase the credit for low-income renters; and
 - Increase Earned Income Tax Credit (EITC).
 - The expanded tax law seeks to quadruple refundable credits for our lowest income families.

- 2. Offer tax credits and relief to ALICE households**
 - We seek to offer tax credits and income tax adjustments for ALICE households through the following initiatives:
 - Credit for low-income renters;
 - Double personal exemption;
 - Increase standard deductions; and
 - Index Tax Brackets, Standard Deduction, and Personal Exemptions to inflation
 - The proposed tax law will offer targeted benefits for working families that do not currently qualify for State tax credits but are nonetheless struggling to make ends meet in Hawai'i.

- 3. Expand the Child and Dependent Care Tax Credit**
 - We propose up to \$10,000 of support for working families paying for daycare, babysitting, summer camps, afterschool care, and adult daycare.
 - The Child and Dependent Care Tax Credit will provide relief for working families and help reduce the choice they may face in whether to start a family or invest in a career.

- 4. Offer a Tax Credit for Teacher Expenses**
 - We seek to provide teachers with a \$500 annual tax credit to help cover teachers' out-of-pocket school supply expenses, equating to 80% of the cost of classroom supplies.
 - The Teacher Supply Credit is a step towards addressing the state's chronic teacher shortage.

By cutting taxes and providing much needed tax relief for our struggling families, we will help our economy grow and make Hawai'i a more affordable place for our 'ohana.

2023 STATE OF THE STATE

Scenario 1: Imagine a single working mother looking after two young children, making \$80,000 a year. Due to her demanding job, she pays \$25,000 a year for childcare services. Under the current tax system, the mother would have to pay \$4,212 in state income taxes every year. Under the GAP, the mother would receive a tax refund worth \$5,742 from the State because the mother’s tax liability is significantly lowered by the higher standard deduction and personal exemptions, and she would be eligible for a \$10,000 refundable Child and Dependent Care Tax Credit.

Scenario 1: Single Working Mother with Income of \$80,000			
	Current Tax Law	GAP	GAP Relief Provided
Tax Liability	\$4,212	-\$5,742	- \$9,954

Scenario 2: There is a family with two teachers looking after two children, making \$140,000 a year. They pay \$10,000 yearly for childcare services. Under the GAP, the teacher couple’s tax liability would be reduced by \$4,826 per year. That means they would receive a \$546 tax relief from the increase in standard deduction and personal exemption, and an additional \$4,280 from the child care GAP relief.

Scenario 2: Two Teachers with Income of \$140,000			
	Current Tax Law	GAP	GAP Relief Provided
Tax Liability	\$8,596	\$3,770	- \$4,826

Scenario 3: Another scenario is a kūpuna with a fixed income of \$39,990. In Hawai‘i, most retirement income is not taxed under State law, so the big difference in the GAP will be in regard to credit, since they do not owe state income tax. Under the GAP plan, the single kūpuna would receive a tax refund of \$520, compared to nothing under the current law.

Scenario 3: A Single Kūpuna with Income Just Below \$40,000			
	Current Tax Law	GAP	GAP Relief Provided
Tax Liability	—	- \$520	- \$520

2023 STATE OF THE STATE

The Green Affordability Plan Bill will ultimately increase the income of working families by thousands of dollars. *Figure 1* (see Appendix) describes the types of tax credits Governor Green is proposing, its implications and benefits of each. *Figure 2* (see Appendix) shows the changes to income tax burdens for an average family of four.

FOOD EXCISE TAX CREDIT

- **Proposal:**
 - Double the amount of refundable credit to provide greater income to support low-income earners.
 - Increase the income threshold for eligible households to \$40,000 for single filers and \$60,000 for joint filers.
- **Impact:** As the most claimed tax credit, this will affect at least one-third of all State taxpayers, particularly low-income single filers.

CREDIT FOR LOW-INCOME RENTERS

- **Proposal:**
 - Increase the income threshold from \$30,000 to \$40,000 for single filers and \$80,000 for joint filers.
 - Increase maximum credit that may be claimed from \$50 to \$350 per exemption.
- **Impact:** This tax credit has been underutilized because it is a small credit and with stringent income limitation. This change better targets the ALICE population and reduces housing costs for low to middle income households.

EARNED INCOME TAX CREDIT (EITC)

- **Proposal:** Increase the Federal EITC from 20% to 30%.
- **Impact:** EITC is one of the most effective policy alleviation credits offered by the U.S. government, but this change will make Hawai‘i one of the most generous states in EITC credits, benefiting working low-income families.

CHILD AND DEPENDENT CARE TAX CREDIT

- **Proposal:**
 - Increase the amount of qualified expenses to 50% for income up to \$150,000. This credit decreases by 5% for every additional \$15,000 of income of up to \$225,000.
 - Increase the allowable expenses to \$10,000 for one child and \$20,000 for two or more children.
- **Impact:** With Hawai‘i having some of the highest childcare costs in the country, paying for childcare is one of the primary cost burdens facing ALICE families. This

2023 STATE OF THE STATE

change dramatically increases the benefit to working class families and allows mothers the flexibility to enter the workforce following higher-than-male job attrition rates during the pandemic.

EDUCATOR TAX CREDIT

- **Proposal:**
 - Currently, this tax credit for teachers does not exist. Governor Green is proposing a nonrefundable tax credit of up to \$500 per year for school supplies purchased by K–12 teachers.
 - Credit is equal to 80% of costs for classroom supplies up to the credit limit amount.
- **Impact:** This addition would reduce the burden that teachers assume for providing essential classroom materials and conditions. Governor Green acknowledges this burden of costs that teachers themselves incur to develop curricula, resources, and other items their students need to succeed.

INDIVIDUAL INCOME TAXES

- **Proposal:**
 - Hawai‘i is one of the few states with an Individual Income Tax that is not indexed to inflation. Governor Green is proposing to index the tax brackets, standard deduction, and personal exemption to inflation.
 - Increase the standard deduction to \$5,000 for single filers and \$10,000 for joint filers.
 - Double the personal exemption to \$2,288.
- **Impact:** The proposed changes would stop low- and middle-income households from getting pushed up into higher tax brackets due to inflation, lower the taxable income for low to middle income households and provide tax relief by lowering the taxable income primarily for families and taxpayers with dependents.

SECTION III

CLIMATE CHANGE MITIGATION & HAWAI‘I’S ECONOMY

In April 2021, the Hawai‘i State Legislature declared a climate emergency. Our shorelines are exposed to rising sea levels and our precious natural resources are threatened by the increased frequency—and severity—of extreme weather events and human actions.

This affects both our home and our community. Climate change impacts are being felt statewide and have long-term threats to our economy, sustainability, environment, security, culture, and way of life.

But within this emergency, there is an opportunity to lead. In energy independence, in green job creation, in environmental resilience, and in climate justice, Hawai‘i can set an example for the rest of the world to follow.

The safer, freer, more prosperous, and more perfect future we envision for Hawai‘i requires a total transformation of our economy at scale. We find ourselves at an important moment where the actions we take today will have enormous impacts on the world we will inhabit tomorrow. Let us continue the tradition we began as the first state in the nation with a statutory commitment to be carbon negative by 2045 and lead the fight against the climate crisis, for ourselves and our ‘ohana.

That is why we are rolling out a bold and ambitious climate agenda to continue Hawai‘i’s leadership in climate adaptation and mitigation and create the future we want for our keiki. The agenda spans six key dimensions:

1. Retool Hawai‘i’s economy to lead in green technology

- We are pursuing opportunities with national and strategic international partners from Japan and the broader Pacific to push Hawai‘i to the forefront of green technology development.
- Currently, the state is applying to bring in up to \$1 billion of Federal and private investments into our State to pilot a regional hydrogen hub (H₂Hub) with an emphasis on green hydrogen.
 - Hydrogen will position Hawai‘i to achieve long-term reductions in **energy prices and emissions** more than any other state.
 - Hydrogen underpins **national security** objectives by providing energy security for Hawai‘i and our strategic Pacific partners.

2023 STATE OF THE STATE

- Hawai‘i has the **best chance** of any hub of building out a hydrogen ecosystem—we are committed to using hydrogen and other green technologies to create the **first decarbonized state in the country**.

2. **Seek funding through the Inflation Reduction Act**

- We anticipate receiving at least \$25 million from the Federal government to fund our green banks and green infrastructure projects; however, we would like to go further.
- This money will be used to expand our portfolio of renewable technology.
- We will prioritize making solar panels and battery storage more affordable and accessible for working families across our state, lowering household energy costs.

3. **Establish the Hawai‘i Climate Impact Special Fund stewarded by the Climate Change Commission**

- Create the Climate Impact Special Fund within the Department of Land and Natural Resources.
- Our \$100 million Climate Impact Fund will find and finance solutions that protect our land and grow our natural resources.
- The Hawai‘i Climate Change, Mitigation and Adaptation Commission, co-chaired by the Chair of the Board of Land and Natural Resources and the Director of the Office of Planning and Sustainable Development, will work with legislators and local governments with input from the community and stakeholders, to oversee this fund and advise the government on climate change adaptation and mitigation strategies.
- The Commission will look to invest in projects that:
 - Build capacity for the State’s fight against climate change;
 - Address climate impacts across wildfires, the heat island effect, sea level rise, ocean warming, drought, and coastal flooding; and
 - Mitigate climate impacts through education, carbon sequestration, climate-smart agriculture, electrification, and more.
- The initial focus will be to tackle rising sea levels, which threaten over \$19 billion in assets across the state.
- The Commission has already produced guidance on making investment decisions to address the climate emergency, reducing emissions from ground transportation, and driving climate equity within the state.

2023 STATE OF THE STATE

4. **Visitor Green Fee**

- The administration is proposing a \$50-per-head visitor climate impact fee on visitors that use certain designated State-owned public recreational natural resources, such as parks, trails, forests, etc. A license will be provided as proof of payment for this fee and can be used to access these designated resources for a full year after purchase.
- All Hawai‘i residents will be exempt from the fee and license requirements.
- The revenues generated from the visitor Green Fee will be used to help combat the impacts of climate change and conserve our state’s natural resources, augmenting destination management efforts.

5. **Chief Climate Officer Position**

- Create a cabinet-level senior climate advisor position to the Governor focused on climate change.
- This new position will help integrate climate solutions and mitigation strategies across state departments and assist with the coordination and implementation of funding for clean energy, climate, and resiliency initiatives.
- The Governor has convened a Climate Advisory Panel that will work alongside the administration’s cabinet to help formulate the goals and responsibilities of this position. The panel is made of key local climate, business, energy, and community stakeholders from around the state.

6. **Reaffirm our commitment to the U.S. Climate Alliance**

- Hawai‘i will continue to play an important role in the U.S. Climate Alliance working with Governors across the country to advance climate action.
- Our ongoing commitment to this partnership sends a strong signal to our neighbors across the country and the Asia–Pacific region that are looking to Hawai‘i for leadership in decarbonization and energy independence.

SECTION IV

PRIORITIZING HAWAI‘I’S HEALTH

Hawai‘i is in the midst of a healthcare crisis. The state is grappling with 4,000 unmet healthcare job openings, a major bed shortage in one of Hawai‘i’s most overcrowded hospitals and growing medical and mental health disparities among the state’s most marginalized populations.

As Hawai‘i enters this new era, we propose a five-part plan to prioritize our residents’ health:

- 1. Invest in University of Hawai‘i healthcare training programs**
 - We will add over 60 faculty positions and invest \$4.4 million in nursing and medical-related training programs across University of Hawai‘i campuses and community colleges.
 - This effort will better train Hawai‘i residents to enter the healthcare industry.
- 2. Establish the Hawai‘i State Loan Repayment Program**
 - We will seek \$10 million in FY 24 and \$20 million in FY 25 to pay off educational loans for primary care and behavioral health providers who care for patients in designated Health Professional Shortage Areas of Hawai‘i.
 - This solution will attract and recruit medical professionals to Hawai‘i to strengthen healthcare access in our most underserved communities.
- 3. Expand Hilo Medical Center’s Emergency Room**
 - We will seek \$50 million to expand the Intensive Care Unit and Medical Surgical Unit at the Hilo Medical Center, one of Hawai‘i’s most overcrowded hospitals.
 - Greater investment in the Hilo Medical Center will ensure that its much-needed hospital bed supply meets its growing patient demand.
- 4. Invest in Medicaid Provider Payments**
 - We will seek \$30 million and \$35 million in State and Federal funding respectively for Medicaid Provider Payments.
 - The combined funding will increase the Medicaid reimbursement rate for providers to ultimately expand access to high-quality healthcare and improve health outcomes for low-income individuals and families.

2023 STATE OF THE STATE

5. Transform Hawai‘i into a “trauma-informed state”

- We launched the Office of Wellness and Resilience and a trauma-informed care task force to help address wellness and resilience challenges in Hawai‘i.
- Both efforts will work towards closing social health gaps across our state.

To secure Hawai‘i’s health, we must train and retain high-quality medical professionals in our state, make long-needed investments in one of our most overcrowded hospitals, improve healthcare access to low-income individuals and families, and address wellness and resilience needs among Hawai‘i residents.

ACTION ROOTED IN VALUES

Today we find ourselves at a crossroads—at a turning point in our history.

We face enormous challenges as a state, and the strain of these challenges is slowly eroding the hopes and the dreams of our people.

Thousands of families are voting with their feet, choosing to leave our islands in search of affordable housing and economic opportunity.

Thousands more live in our streets, suffering without help, without hope, despairing for a better tomorrow.

Climate change and industrial pollution threaten to permanently degrade our land and our water.

These are tragedies we must not stand by and witness idly without doing everything in our power to change.

Ultimately, we will not be judged by our words or our rhetoric—we will be judged by our actions and accomplishments.

How will we secure the health of our state?

How will we nurture the integrity of our people and culture?

How will we create the quality of life that we desire?

We'll do it together—as one 'ohana united by our shared values.

We must provide economic relief and restore hope to our people.

We must restore the health of our land and water.

We must redeem the promise of Hawai'i.

2023 STATE OF THE STATE

In pursuit of these goals, here and now we commit ourselves to four years of decisive action—making progress every day, and never giving up.

Hawai‘i’s people deserve ambitious goals, big dreams, and bold action.

“The less foresighted may label us dreamers for expressing what may be regarded as overly grandiose thoughts,” Governor Burns said.

“But dream we must, as we must pursue these dreams with vigor and energy, if we are to attain the greatness that is so patently the destiny of Hawai‘i and its people.”

Governor Burns was *right*.

Hawai‘i’s destiny *is* greatness—a greatness born of our shared values.

A greatness of family, community, and love—of rich diversity, tolerance, and unity.

Of commitment, responsibility, and hope.

Of reverence for our natural and cultural heritage and our shared history.

We are the inheritors of this dream and this destiny.

Together, we will fulfill our destiny.

Together, we will realize our dreams.

Together, we will live up to the promise of Hawai‘i.

Mahalo.

APPENDIX

GREEN AFFORDABILITY PLAN

This appendix consists of additional resources to highlight and organize the implications that would result from Governor Green’s proposed GAP Bill.

FIGURE 1: SUMMARY OF PROPOSED TAX CHANGES

<i>Tax Law</i>	<i>Law Change</i>	<i>Impact</i>
Green Affordability Plan Tax Law Changes		
<i>Food Excise Tax Credit</i>	<ul style="list-style-type: none"> • Double the amount of credit • Increase the income threshold for eligible households to \$40k for single filers and \$60k for joint filers 	Will benefit 33.9% of State’s taxpayers, particularly low-income single filers, and expand access to the credit.
<i>Credit for Low Income Renters</i>	<ul style="list-style-type: none"> • Increase income threshold from \$30k to \$40k for single filers and \$80k for joint filers • Increase maximum credit that may be claimed from \$50 to \$350 per exemption 	Today, this credit is underutilized given its small size and stringent income limitations. This change targets the ALICE population and reduces housing costs for low to middle income households.
<i>Earned Income Tax Credit (EITC)</i>	<ul style="list-style-type: none"> • Increase EITC from 20% to 30% of Federal EITC 	The EITC is one of the most effective policy alleviation credits offered by the U.S. government. This change will make Hawai’i one of the most generous states in EITC credits, benefitting working low-income families.
<i>Child and Dependent Care Tax Credit</i>	<ul style="list-style-type: none"> • Increase the amount of qualified expenses to 50% for income up to \$150k. • This credit decreases by 5% for every additional \$15k of income of up to \$225k. • Increase the allowable expenses to from \$2.4k \$10k for one child and from \$4.8k to \$20k for two or more children. 	Childcare is one of the primary cost burdens facing ALICE families and Hawai’i has some of the highest childcare costs in the U.S. This change dramatically increases the benefit to working class families and allows mothers the flexibility to enter the workforce following higher-than-male job attrition rates during the pandemic.
<i>Teacher Classroom Supply Tax Credit</i>	<ul style="list-style-type: none"> • Provide nonrefundable tax credit up to \$500 per year for school supplies purchased by K–12 teachers • Credit is 80% of allowable expenses 	The Teacher Classroom Supply Tax Credit does not currently exist. This addition would reduce the burden that teachers assume to deliver teaching conditions to their students.
Bill Individual Income Tax Changes		
<i>Individual Income Tax</i>	<ol style="list-style-type: none"> 1. Index the tax brackets, standard deduction, and personal exemption to inflation 2. Increase the standard deduction to \$5k for single filers and \$10k for joint filers 3. Double the personal exemption to \$2,288 	The proposed changes would stop low- and middle-income households from getting pushed up into higher tax brackets due to inflation, lower the taxable income for low to middle income households and provide tax relief by lowering the taxable income primarily for families and taxpayers with dependents.

FIGURE 2: CHANGES TO INCOME TAX BURDEN FOR AN AVERAGE FAMILY OF FOUR UNDER THE GAP BILL

	<i>Median Income</i>	<i>Lowest 20%</i>	<i>Second 20%</i>	<i>Third 20%</i>	<i>Fourth 20%</i>	<i>Highest 20%</i>
<i>Pre-Tax Income</i>	\$73,573	\$11,394	\$29,821	\$52,431	\$86,363	\$188,103
Individual Income Tax Burden						
<i>Current Tax Law</i>	\$4,655	(\$1,432)	(\$758)	\$2,613	\$4,983	\$12,743
<i>GAP Bill *</i>	\$2,640	(\$3,645)	(\$3,640)	(\$380)	\$3,511	\$10,893
<i>Difference</i>	(\$2,015)	(\$2,213)	(\$2,882)	(\$2,233)	(\$1,472)	(\$1,850)

*This does not include any tax refund associated with the Child and Dependent Care Tax Credit. A family with childcare expenses would receive a much larger refund.

FIGURE 3: GAP BILL'S IMPACT

Support families that are struggling the most

How? Quadruple income support to families making less than \$45,000 a year.

Initiatives:
Double food excise tax credit.
Credit for low-income renters.
Increase EITC by 50%.

Support working families

How? Offer tax credits and income tax adjustments that target ALICE Households.

Initiatives:
Credit for low-income renters.
Double personal exemption.
Increase standard deduction.
Inflation indexing.

Support working parents, especially mothers

How? Provide a tax credit to reduce burden of childcare on working parents.

Initiative:
Child and dependent care tax credit.

Support Our Teachers

How? Provide tax credits for school supply expenses.

Initiative:
Tax credit for teacher expenses.

FIGURE 4: INCOME DISTRIBUTION OF EXISTING TAX CREDITS. MOST CREDITS BENEFIT THE LOWEST INCOME HOUSEHOLDS, MISSING ALICE FAMILIES.

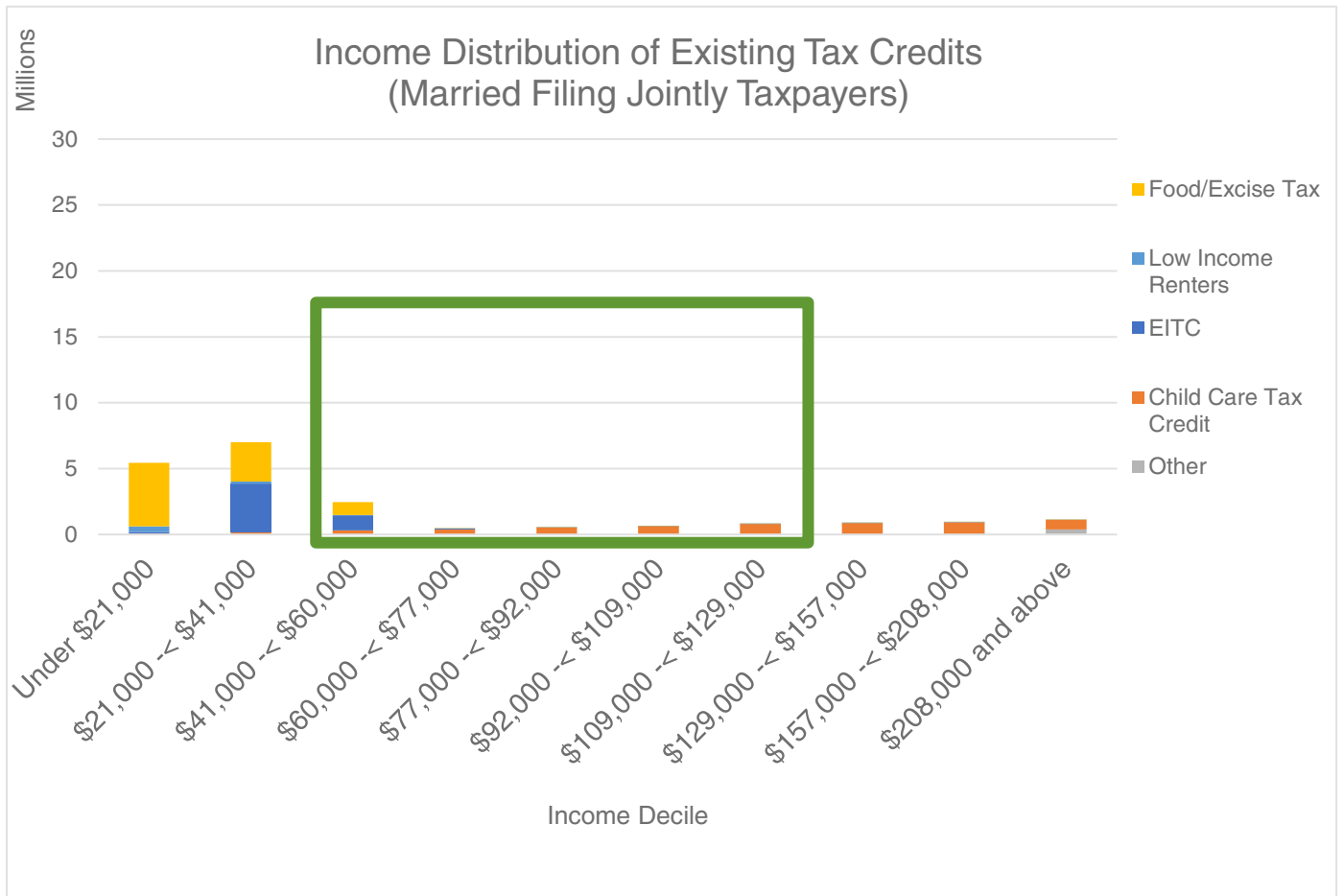
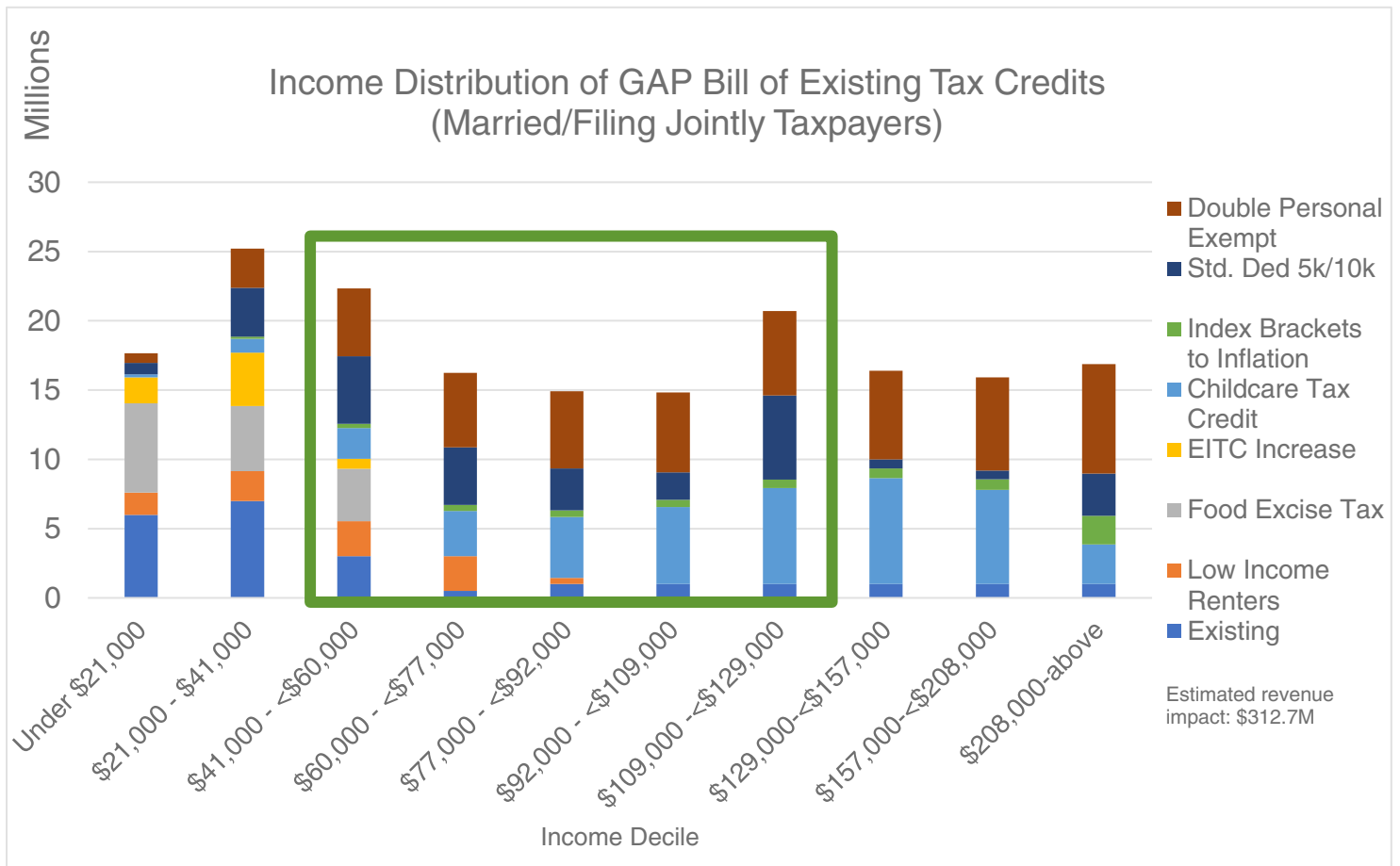


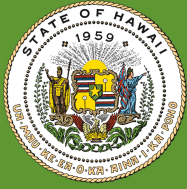
FIGURE 5: INCOME DISTRIBUTION OF GAP BILL OF EXISTING TAX CREDITS



As we move forward, hear the words of a modern poet:

*“[Those] who hold high places
Must be the ones who start
To mold a new reality
Closer to the heart.”*

— RUSH (1977)



STATE OF THE STATE
GOVERNOR JOSH GREEN, M.D.
JANUARY 23, 2023

Office of the Governor
Ke Kia'āina
State Capitol
Honolulu, Hawai'i 96813
Phone: (808) 586-0034

governor.hawaii.gov