

JAN 25 2006

S.B. NO. 2275

A BILL FOR AN ACT

MAKING AN APPROPRIATION TO THE EMERGENCY BUDGET AND RESERVE
FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to strengthen the
2 emergency budget and reserve fund by making an appropriation to
3 double the size of the fund to a total of \$110,000,000 at the
4 beginning of the fiscal year 2006-2007. The emergency budget
5 and reserve fund, also known as the "rainy day fund," serves as
6 a temporary supplemental source of funding for the State during
7 times of emergency, economic downturn, or unforeseen reduction
8 in revenues.

9 Hawaii's economy registered one of its best years ever in
10 2005. The current solid rates of growth in employment, personal
11 income, and tax collections are indicative of the continuing
12 broad-based expansion of the local economy.

13 The time is ideal to set aside funds to prepare for
14 setbacks or unexpected crises, and at the same time, move us
15 toward the goal of maintaining a reserve of five per cent of
16 revenues. The National Association of State Budget Officers has
17 consistently recommended that states maintain a reserve of
18 five per cent of revenues to safeguard against budget
19 instability due to unforeseeable circumstances. For Hawaii,

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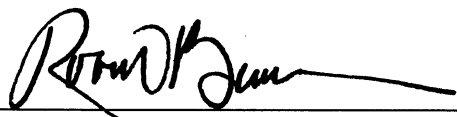
1 this translates to a fund balance of over \$200,000,000.
2 Adoption of this measure will represent a significant step
3 toward that objective, and will increase our financial reserves
4 for future emergencies. It will also have a positive effect on
5 maintaining the State's strong credit rating.

6 SECTION 2. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$55,000,000, or so
8 much thereof as may be necessary, for fiscal year 2006-2007, to
9 be deposited into the emergency budget and reserve special fund.

10 The sum appropriated shall be expended by the department of
11 budget and finance.

12 SECTION 3. This Act shall take effect on July 1, 2006.

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INTRODUCED BY:  _____

BY REQUEST

JUSTIFICATION SHEET

SB. NO. 2275

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT MAKING AN APPROPRIATION TO THE EMERGENCY BUDGET AND RESERVE FUND.

PURPOSE: To strengthen the emergency budget and reserve fund, also known as the "rainy day fund," which serves as a temporary supplemental source of funding for the State during times of emergency, economic downturn, or unforeseen reduction in revenues, by doubling the amount in the fund.

MEANS: Appropriate general funds for fiscal year 2006-2007.

JUSTIFICATION: Hawaii's economy registered one of its best years ever in 2005, and solid rates of growth were experienced in employment, personal income, and tax collections, indicative of the continuing broad-based expansion of the local economy. The time is ideal to set aside some funds to prepare for setbacks or unexpected crises, and at the same time, move us toward the goal of maintaining a reserve of 5 per cent of revenues. The National Association of State Budget Officers has consistently recommended that states maintain a reserve of 5 per cent of revenues to safeguard against budget instability due to unforeseeable circumstances. For Hawaii, this translates to a fund balance of over \$200,000,000. Adoption of this measure will represent a significant step toward that objective, and will increase our financial reserves for future emergencies. It will also have a positive effect on maintaining the State's strong credit rating. The general fund recommendation included in this measure has been made in accordance with the statutorily defined appropriation ceiling for the Executive Branch pursuant to section 37-92,

Hawaii Revised Statutes. Including appropriations made up to and including the regular and special sessions of 2005 and the Executive Supplemental Budget for fiscal year 2006-2007, the Executive Branch appropriation ceiling for fiscal year 2006-2007 has already been exceeded by \$103,600,000, or 2.1 per cent. Funding requested in this measure for deposit into the emergency budget and reserve fund will result in the appropriation ceiling for the Executive Branch to now be exceeded in fiscal year 2006-2007 by \$55,000,000, or 1.1 percent. This current declaration takes into account additional general fund appropriations authorized for fiscal year 2006-2007 in this measure only, and does not include other general fund appropriations for fiscal year 2006-2007 that may be authorized for the Executive Branch in other legislation submitted to the Legislature during the regular session of 2006.

GENERAL FUND: \$55,000,000.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BUF 101.

OTHER AFFECTED
AGENCIES: All executive departments and agencies of
the State.

EFFECTIVE DATE: July 1, 2006.