
A BILL FOR AN ACT

PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO ALLOW THE LEGISLATURE TO EITHER FUND THE TAX CREDIT UNDER ARTICLE VII, SECTION 6 OF THE CONSTITUTION, OR DEPOSIT THE SAME AMOUNT INTO THE EMERGENCY AND BUDGET RESERVE FUND.

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

1 SECTION 1. The legislature finds that the current economic
2 crisis dictates a thorough investigation of all possible sources
3 of income to balance an unprecedented shortfall in the state
4 budget. Monetary practices of the past that may have been
5 prudent at the time, now deserve serious scrutiny and possible
6 revision to meet the State's economic situation. One such
7 practice under the state constitution requires the legislature
8 to fund a mandatory tax credit or rebate. Although enacted with
9 the best of intentions, this requirement may force the funding
10 of a tax credit or rebate when the State can least afford it--
11 namely during periods of declining revenues that follow shortly
12 after surpluses.

13 This Act allows the legislature to either fund the
14 mandatory tax credit or rebate or deposit the same amount into
15 the emergency and budget reserve "rainy day" fund. This option
16 will allow the legislature to access needed funds to balance the

1 state budget and to promote better planning through the highs
2 and lows of economic cycles.

3 SECTION 2. Article VII, section 6, of the Constitution of
4 the State of Hawaii is amended to read as follows:

5 **"DISPOSITION OF EXCESS REVENUES**

6 **Section 6.** Whenever the state general fund balance at the
7 close of each of two successive fiscal years exceeds five
8 percent of general fund revenues for each of the two fiscal
9 years, the legislature in the next regular session shall either
10 provide for a tax refund or tax credit to the taxpayers of the
11 State[~~r~~] or deposit the same amount into the emergency and
12 budget reserve fund, as provided by law."

13 SECTION 3. The question to be printed on the ballot shall
14 be as follows:

15 "Whenever the State has a revenue surplus at the close of
16 each two successive fiscal years that is greater than five
17 percent of general fund revenues for each of those fiscal
18 years, shall the legislature have the option of either
19 providing a tax credit to the taxpayers or depositing the
20 surplus amount into the State's emergency and budget reserve
21 ("rainy day") fund, which provides temporary additional

1 funding for the State during times of emergency, economic
2 downturn, or unforeseen reduction in revenues?"

3 SECTION 4. Constitutional material to be repealed is
4 bracketed and stricken. New constitutional material is
5 underscored.

6 SECTION 5. This amendment shall take effect upon
7 compliance with article XVII, section 3, of the Constitution of
8 the State of Hawaii.

Report Title:

Constitutional Amendment; Excess Funds; Emergency and Budget Reserve Fund

Description:

Allows the legislature to either fund the tax credit under article VII, section 6 of the state constitution or deposit the same amount into the emergency and budget reserve "rainy day" fund. (SD1)