

STAND. COM. REP. NO.

781

Honolulu, Hawaii

MAR 06 2009

RE: S.B. No. 1624
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committee on Judiciary and Government Operations, to which was referred S.B. No. 1624 entitled:

"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,"

begs leave to report as follows:

The purpose of this measure is to afford the Legislature the flexibility to use any excess in the general fund balance to balance the state budget.

At present, article VII, section 6, of the Constitution of the State of Hawaii requires that whenever the state general fund balance at the close of each of two successive fiscal years has a surplus that exceeds five per cent of general fund revenues for each respective fiscal year, the Legislature in the next regular session shall provide for a tax refund or tax credit to the taxpayers of the State, as provided by law.

While this provision may make eminent sense during times of an economic up cycle, it may not be appropriate during an economic downturn, as it requires the Legislature to pay out the surplus in the form of a tax credit or refund precisely at a time when fiscal shortages are anticipated.



This measure will correct this deficiency by authorizing the Legislature to provide either a tax refund or credit with the surplus or depositing it into the emergency and budget reserve fund, which was established by the Legislature to provide a supplemental source of funding for the State during times of emergency, economic downturn, or unforeseen reduction of revenues. Through the emergency budget and reserve fund, the State will be able to use the funds to:

- (1) Maintain programs essential to the public health, safety, welfare, and education;
- (2) Provide for counter cyclical economic and employment programs in periods of economic downturn;
- (3) Restore facilities destroyed or damaged or service disrupted by disaster; and
- (4) Meet other emergencies when declared by the Governor or determined to be urgent by the Legislature.

Your Committee finds that with this flexibility to respond appropriately in times of an economic up cycle, as well as times of economic downturn, the Legislature will be better able to apply surplus revenues to address the current circumstances and ensure that the needs of the State and its people are met. This flexibility is clearly important, especially in light of the present local, national, and global economic situation, which threatens the State's ability to maintain essential services.

Your Committee has amended this measure by clarifying the language in the ballot question to accurately reflect the substance of the constitutional amendment.

Written testimony presented to the Committee may be reviewed on the Legislature's website.

As affirmed by the record of votes of the members of your Committee on Judiciary and Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1624, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1624, S.D. 1.



Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Government Operations,



BRIAN T. TANIGUCHI, Chair



