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## 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<sup>[7]</sup> 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 "Shall the legislature have the option of either providing a  
16 tax credit under article VII, section 6, of the Constitution  
17 or deposit the same amount into the emergency and budget  
18 reserve ("rainy day") fund?"

19 SECTION 4. Constitutional material to be repealed is  
20 bracketed and stricken. New constitutional material is  
21 underscored.



# S.B. NO. 1624

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

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**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.

