

STAND. COM. REP. NO. 372

Honolulu, Hawaii

FEB 20 2009

RE: S.B. No. 1624

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

Madam:

Your Committee on Ways and Means, 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.

Specifically, this measure proposes an amendment to the state constitution to allow the Legislature the option of either providing a tax refund or tax credit under article VII, section 6, of the constitution or depositing the same amount into the emergency and budget reserve fund. The proposed amendment would take effect upon ratification of the proposed amendment by voters in the next general election in compliance with article XVII, section 3, of the Constitution of the State of Hawaii.

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 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.

SB1624 SSCR LRB 09-2179.doc



Your Committee finds that this constitutional requirement makes eminent sense during an economic up cycle -- a relatively continuous period of financial and economic strength when sufficient general revenues can be collected to balance the state budget. However, the State has now entered the beginning of an economic down cycle, one that is forecast to be a deep and protracted one, as the State is caught up in the current local, national, and global financial and economic crisis, which is placing enormous pressures on the state budget. This situation serves to highlight a weakness of the existing constitutional requirement because it requires the Legislature to pay out funds precisely at a time that fiscal shortages are anticipated.

By comparison, your Committee finds that granting the Legislature the option to use any excess in the general fund balance, especially during economic down cycles, to strengthen the state budget promotes better planning through the highs and lows of both up and down economic cycles.

Testimony in support of this measure was submitted by one organization while one state department supported the measure's intent. One state department and one organization submitted comments.

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 Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1624 and recommends that it pass Second Reading and be referred to the Committee on Judiciary and Government Operations.

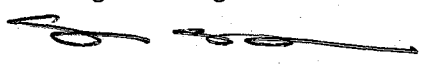
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONNA MERCADO KIM, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1624	WAM, JGO	07/19/09		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	/			
TSUTSUI, Shan S. (VC)	/			
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani				/
FUKUNAGA, Carol				/
GALUTERIA, Brickwood				/
HEE, Clayton				/
HOOSER, Gary L.	/			
KIDANI, Michelle N.	/			
KOKUBUN, Russell S.	/			
TOKUDA, Jill N.				/
HEMMINGS, Fred	WST	WST	/	
TOTAL	6	0	1	5
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes