

STAND. COM. REP. NO.

2622

Honolulu, Hawaii

FEB 26 2010

RE: S.B. No. 2806
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2806, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND,"

begs leave to report as follows:

The purpose of this measure is to authorize transfer of excess state general fund revenues to the emergency and budget reserve fund under certain circumstances.

The measure also:

- (1) Clarifies that the end-of-the-year general fund balance calculation shall occur before any tax refund or tax credit is authorized pursuant to article VII, section 6 of the Constitution of the State of Hawaii;
- (2) Authorizes the Director of Finance to execute the transfer from the general fund to the emergency and budget reserve fund;
- (3) Prohibits transfers when the balance of the emergency and budget reserve fund is equal to or greater than ten per cent of the general fund revenues for the preceding fiscal year; and



- (4) Authorizes interest earned on moneys in the emergency and budget reserve fund to be credited to the emergency and budget reserve fund rather than to the general fund.

Your Committee received written comments in support of the measure from the Office of the Governor and Ohana Health Plan. Comments in opposition were submitted by the Department of Budget and Finance. The Tax Foundation of Hawaii submitted written comments on this measure. The written comments may be reviewed on the Legislature's website.

Your Committee finds that the emergency budget and reserve fund is being steadily depleted while there are no new sources of revenue to replenish it. This measure would help to ensure that a fiscal reserve is available to support the State's financial obligations during periods of severe economic difficulty and would provide an alternative to raising taxes at times when the people of the State can least afford it.

Your Committee further finds that, in the interest of fiscal accountability, moneys deposited into the emergency and budget reserve fund should be kept in separate accounts to prevent moneys transferred from the general fund from becoming co-mingled with other moneys in the fund. It is your Committee's intent that the statutory requirement of a two-thirds majority vote of each house of the Legislature, imposed by section 328L-3(d), Hawaii Revised Statutes, be followed when appropriating funds from either of these separate accounts in the emergency and budget reserve fund.

Your Committee has amended this measure by:

- (1) Requiring that moneys transferred from the general fund and other moneys in the emergency and budget reserve fund be kept in separate accounts;
- (2) Changing the effective date to January 1, 2050, to facilitate further discussion on the measure;
- (3) Providing that the measure shall only become effective upon ratification of a constitutional amendment requiring the deposit of moneys from the general fund into the emergency and budget reserve fund; and
- (4) Making technical, nonsubstantive amendments for the purpose of clarity and style.



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. 2806, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2806, S.D. 2.

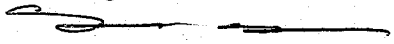
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONNA MERCADO KIM, Chair



The Senate
 Twenty-Fifth Legislature
 State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 2806, SD1	Committee Referral: HMS/HTH, WAM	Date: 2/24/10		
<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 type="checkbox"/> Pass, unamended 2312	<input checked="" 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				/
TOTAL	11	0	0	1
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