

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HUMAN SERVICES
ON
HOUSE BILL NO. 885

February 2, 2009

PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO USE A
PORTION OF THE GENERAL FUND BALANCE EXCESS TO FUND THE CHILD
DEVELOPMENT ACCOUNT PROGRAM

House Bill No. 885 proposes an amendment to the Hawaii Constitution to use a portion of the excess balance in the General Fund for a new program being proposed in House Bill No. 884 relating to the child development account.

The Department of Budget and Finance opposes House Bill No. 885 because it will reduce flexibility in the management of State resources. The bill establishes a constitutional requirement to fund a specific program when excess revenues are available, thus placing this program at the top priority, ahead of all other funding requirements of the State. We believe this is not a prudent practice.

Currently, when general fund balances exceed 5% of general fund revenues for two consecutive years, the Legislature is required to provide for a tax refund, the exact amount of which is unspecified in the Constitution. Within this framework, the Legislature has the flexibility to consider the tax refund requirement together with all other needs facing the State at the moment or in the near future, such as the situation of today. If a portion of the excess revenues were preempted for a specific expenditure, such as the child development account, this flexibility in fiscal management would be greatly reduced.