

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON JUDICIARY  
ON  
SENATE BILL NO. 2807, S.D. 2

March 9, 2010

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 6, OF THE HAWAII  
CONSTITUTION, RELATING TO THE TAX REBATE REQUIREMENT

Senate Bill No. 2807, S.D. 2, proposes a constitutional amendment to allow the Legislature to provide a tax refund or tax credit, or deposit excess funds into the Emergency and Budget Reserve Fund when there are excess balances in the general fund for two consecutive years. This measure would make the tax refund or tax credit an option, not a constitutional requirement, when excess balances are available.

Instead of this bill, we recommend that the committee consider the Administration's proposals, Senate Bill No. 2692, Relating to the State Fiscal Stabilization Fund, and Senate Bill No. 2693, Proposing Amendments to the Constitution of the State of Hawaii Relating to the State Fiscal Stabilization Fund. Together, these measures establish a mechanism for the State to deposit excess revenues, from periods of economic growth, to the State Fiscal Stabilization Fund (currently the Emergency and Budget Reserve Fund). During periods of economic contraction, the additional resources, which would augment Tobacco Settlement moneys, would ensure that a fiscal reserve would be available to support the State's financial obligations during periods of economic difficulty and would provide an alternative to raising taxes at times when the people of our State can least afford it.