

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 835, H.D. 1

February 28, 2012

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 6, OF THE HAWAII
CONSTITUTION, RELATING TO THE DISPOSITION OF EXCESS REVENUES

House Bill No. 835, H.D. 1, proposes a constitutional amendment to Article VII, Section 6, to authorize the Legislature to deposit excess general fund revenues into one or more funds to reduce unfunded liabilities for pension benefits and other post-employment benefits for State employees. The deposit of excess revenues would occur whenever general fund revenues in one fiscal year are projected to exceed general fund revenues in the previous fiscal year by 7% or more.

The department supports the intent of this bill to address the unfunded liabilities issue. It is a growing concern shared throughout the State that will undoubtedly require action. However, there is uncertainty about the impact of implementing the provisions of this bill.

For example, in FY 03, general fund revenues (tax and non-tax revenues) were 10.1% or \$347.9 million greater than FY 02 general fund revenues. Thus, the criteria for diverting excess revenues would have been met; however, if the excess revenues had been diverted to reduce unfunded liabilities, the fund balance at the end of FY 03 would have been reduced from \$117.2 million to -\$230.7 million.

This bill is planful in its approach to develop a means and measure that starts to address unfunded liabilities. We need to work together to understand the impact and implications on the financial plan - especially, in light of current and anticipated financial conditions of the State. While the solution is not likely to be positive all-around, we recognize that the bill is strategic in implementing a financial structure to deal with these long standing problems.

We look forward to working with the Legislature on these important matters and would welcome the opportunity to further explore the potential for solutions.