

STAND. COM. REP. NO.

2605

Honolulu, Hawaii

FEB 28 2014

RE: S.B. No. 2519
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2519 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL FUND EXPENDITURE CEILING,"

begs leave to report as follows:

The purpose and intent of this measure is to change the computation of the general fund expenditure ceiling to use the previous fiscal year's general fund appropriation as the base, instead of the previous fiscal year's general fund expenditure ceiling, to establish a more realistic limit for general fund expenditures.

The Department of Budget and Finance and the Tax Foundation of Hawaii submitted comments on the measure.

Your Committee finds that the general fund expenditure ceiling has grown significantly since fiscal year 1978-1979 to the point that it no longer provides a practical limit on general fund appropriations. Your Committee also finds that if the formula proposed in the measure is applied to the past ten years of general fund appropriations, general fund appropriations would have exceeded the general fund expenditure ceiling in certain fiscal years.

Your Committee further finds that retaining the current formula, but recalibrating the ceiling to use the fiscal year 2014-2015 general fund appropriation as the base, instead of

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fiscal year 1978-1979, will establish a realistic appropriation limit compatible with historical data.

Your Committee has amended this measure by:

- (1) Establishing the fiscal year 2014-2015 general fund appropriation as the new base for calculating the general fund appropriation ceiling for fiscal year 2015-2016;
- (2) Using the previous fiscal year's expenditure ceiling as the base to calculate each fiscal year's expenditure ceiling, beginning with fiscal year 2016-2017;
- (3) Adding a new section requiring the Director of Finance to determine if the estimated expenditure ceiling exceeds the current fiscal year's general fund appropriation by greater than ten per cent and, if so, to include that determination in the Director's communications to the Governor, Chief Justice, Legislature, and public; and
- (4) Making technical nonsubstantive amendments for purposes of style, clarity, and consistency.

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. 2519, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2519, S.D. 1, and be placed on the calendar for Third Reading.

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



DAVID Y. IGE, Chair



