

STAND. COM. REP. NO. 642

Honolulu, Hawaii

MAR 05 2015

RE: S.B. No. 106  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 106 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 recalibrate the formula for computing the general fund expenditure ceiling, beginning from the fiscal year 2019-2020, by requiring that it be based on the previous fiscal year's general fund appropriation, rather than the previous fiscal year's general fund expenditure ceiling.

Your Committee received comments on this measure from the Department of Budget and Finance and the Tax Foundation of Hawaii.

Your Committee finds that article VII, section 9, of the Hawaii Constitution requires the establishment of a general fund expenditure ceiling that may be exceeded only upon two-thirds vote of each house of the Legislature. Your Committee also finds that, under the current method of computation, the ceiling historically far exceeds actual general fund appropriations and does not accurately forecast or encourage prudent spending levels. Your Committee believes that basing the computation of the general fund expenditure ceiling on the previous fiscal year's general fund appropriation, rather than the previous fiscal year's general fund expenditure ceiling, would establish the ceiling at a more reasonable level.

SB106 SD1 SSCR LRB 15-1217-1.doc



Your Committee notes that the method of computation proposed by this measure would not be implemented until fiscal year 2019-2020, after the State's annual required contributions for public employees' post-employment benefits under Act 268, Session Laws of Hawaii 2013, have reached one hundred per cent. This will avoid any distortion that may be caused by the gradually increasing schedule of annual contributions under Act 268 that commenced from fiscal year 2014-2015.

Your Committee also notes that, commencing with fiscal year 2019-2020, should the Legislature, upon a two-thirds vote of each house, choose to exceed the general fund expenditure ceiling, the ongoing fiscal year's general fund appropriation would become the new base year for computing the general fund expenditure ceiling.

Your Committee further finds that, pursuant to article VII, section 3, of the Hawaii Constitution, the Tax Review Commission is required to conduct an evaluation of the State's tax structure. Your Committee believes that it would be appropriate for the Tax Review Commission, as part of its evaluation, to review this measure and consider what effect changing how the general fund expenditure ceiling is calculated might have. Your Committee intends that the Tax Review Commission submit its findings and recommendations to the Legislature concurrently with its report on the State's tax structure.

Your Committee has amended this measure by:

- (1) Requiring that the Tax Review Commission, as part of its evaluation of the State's tax structure, review this measure to determine if it is consistent with the revenue and tax policy of the State; and
- (2) Making technical, nonsubstantive amendments for the purposes of consistency, 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. 106, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 106, 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,



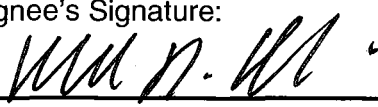
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JILL N. TOKUDA, Chair



The Senate  
 Twenty-Eighth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB106</b>	Committee Referral: <b>WAM</b>	Date: <b>2/11/15</b>		
<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
TOKUDA, Jill N. (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
GALUTERIA, Brickwood	✓			
HARIMOTO, Breene	✓			
INOUYE, Lorraine R.	✓			
RIVIERE, Gil	✓			
RUDERMAN, Russell E.				✓
SLOM, Sam		✓		
<b>TOTAL</b>	<b>9</b>	<b>1</b>	<b>0</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes