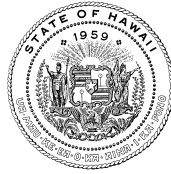


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TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 2554

February 11, 2016
9:00 a.m.

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

Senate Bill No. 2554 proposes a constitutional amendment to allow the Legislature to appropriate excess funds for the pre-payment of general obligation bond debt service or pension or other post-employment benefit liabilities. This measure would provide the Legislature with alternatives in addition to its current options, which include providing a tax refund or tax credit or depositing excess funds into one or more emergency and budget reserve funds.

The Department of Budget and Finance has concerns with this bill.

Currently, Article VII, Section 6 of the Hawaii State Constitution, Disposition of Excess Revenues, requires that whenever the State general fund balance at the close of each of two successive fiscal years exceeds 5% of general fund revenues for each of the two fiscal years, the Legislature must provide for a tax refund or tax credit to State taxpayers or make a deposit into a reserve fund as provided by law. We believe that expanding options for relief from excess revenues to include pre-payment of general obligation debt service, pension, or other post-employment benefit liabilities would dilute and diminish the effect of Article VII, Section 6. The Legislature can currently pre-fund these obligations by appropriating funds.