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# A BILL FOR AN ACT

RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Section 328L-3, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "§328L-3 **Emergency and budget reserve fund.** (a) There is  
4 established in the state treasury the emergency and budget  
5 reserve fund, which shall be a special fund administered by the  
6 director of finance [7] and into which shall be deposited:

- 7           (1) Twenty-four and one-half per cent of the moneys  
8           received from the tobacco settlement moneys under  
9           section 328L-2(b)(1);
- 10          (2) Appropriations made by the legislature to the fund;  
11          and
- 12          (3) Five per cent of the state general fund balance at the  
13          close of the fiscal year, whenever state general fund  
14          revenues for each of two successive fiscal years  
15          exceeds revenues for each of the preceding fiscal  
16          years by five per cent, pursuant to article VII,  
17          section 6 of the Hawaii constitution. For the purpose



1 of this section, the general fund balance at the close  
2 of the fiscal year shall be calculated before any tax  
3 refund or tax credit is authorized by the legislature,  
4 pursuant to article VII, section 6 of the Hawaii  
5 constitution, that is provided during the same regular  
6 session as the transfer depositing such moneys to the  
7 emergency and budget reserve fund; provided that  
8 transfers shall not be made to the emergency and  
9 budget reserve fund whenever the balance of the  
10 emergency and budget reserve fund is equal to or more  
11 than ten per cent of general fund revenues for the  
12 preceding fiscal year. The transfer shall be executed  
13 by the director of finance;

14 provided that all moneys deposited into the emergency and budget  
15 reserve fund under paragraphs (1) and (2) and all moneys  
16 deposited under paragraph (3) shall be kept in separate and  
17 distinct accounts.

18 (b) All interest earned from moneys in the emergency and  
19 budget reserve fund shall be credited to the emergency and  
20 budget reserve fund.



1           (c) Expenditures from the emergency and budget reserve  
2 fund shall be a temporary supplemental source of funding for the  
3 State during times of emergency, severe economic downturn, or  
4 unforeseen reduction in revenues. No expenditures shall be made  
5 from the emergency and budget reserve fund except pursuant to  
6 appropriations. The general appropriations bill or the  
7 supplemental appropriations bill, as defined in section 9 of  
8 article VII of the Hawaii constitution, shall not be used to  
9 appropriate moneys from the emergency and budget reserve fund.  
10 The governor, through an appropriations bill, may recommend  
11 expenditures from the emergency and budget reserve fund by  
12 setting forth the purposes of the expenditures consistent with  
13 subsection (d), the amounts, and the reasons justifying the  
14 necessity for the appropriations.

15           (d) The legislature may make appropriations from the fund  
16 for the following purposes:

- 17           (1) To maintain levels of programs determined to be  
18               essential to public health, safety, welfare, and  
19               education;
- 20           (2) To provide for counter cyclical economic and  
21               employment programs in periods of economic downturn;



1 (3) To restore facilities destroyed or damaged or services  
2 disrupted by disaster in any county; and

3 (4) To meet other emergencies when declared by the  
4 governor or determined to be urgent by the  
5 legislature.

6 Any act making appropriations from the emergency and budget  
7 reserve fund shall include a declaration of findings and  
8 purposes setting forth the purposes, the amounts, and the  
9 reasons why the appropriations are necessary and shall require a  
10 two-thirds majority vote of each house of the legislature.

11 (e) Appropriations for the following purposes from the  
12 emergency and budget reserve fund are specifically prohibited:

13 (1) To meet expenses of the legislature;

14 (2) To provide for salary adjustments for officials  
15 appointed pursuant to article V, section 6 or article  
16 VI, section 3 of the [~~Constitution of the State of~~]  
17 Hawaii constitution and for others whose salaries are  
18 directly related to salaries of these officials; and

19 (3) To fund cost items in any collective bargaining  
20 contract.



1        (f) The legislature shall not appropriate from the  
2 emergency and budget reserve fund:

3        (1) More than fifty per cent of the total balance of the  
4 fund in a fiscal year;

5        (2) To expend for discretionary costs in a fiscal year, an  
6 amount that exceeds ten per cent of the total  
7 discretionary funds appropriated by the legislature  
8 for the same fiscal year for which emergency and  
9 budget reserve fund moneys are appropriated. For the  
10 purpose of this paragraph:

11        (A) "Discretionary funds" means the total amount of  
12 general fund moneys appropriated or authorized by  
13 the legislature for expenditure during the fiscal  
14 year for operating costs as defined under section  
15 37-62, less non-discretionary funds; and

16        (B) "Non-discretionary funds" means the total amount  
17 of general fund moneys appropriated or authorized  
18 by the legislature for expenditure during the  
19 fiscal year for:

20        (i) Debt service payments for general obligation  
21 bonds;



- 1           (ii) Employer contributions for pension and
- 2                   retirement benefits of state government
- 3                   employees;
- 4           (iii) Employer contributions for health insurance
- 5                   benefits of state government employees and
- 6                   state government retirees; and
- 7           (iv) Medicaid service costs, meaning the costs of
- 8                   services provided to low-income persons
- 9                   under the medical assistance program
- 10                   established under chapter 346 and funded in
- 11                   part under Title XIX of the federal Social
- 12                   Security Act, as amended. "Medicaid service
- 13                   costs" does not include the costs of
- 14                   management, administrative, or other
- 15                   overhead services performed by the
- 16                   department of human services for medicaid;
- 17                   and
- 18       (3) Any amount for expenditure in the succeeding fiscal
- 19                   year, unless the State has collected or is projected
- 20                   to collect less general fund tax revenue in the



1           current fiscal year compared to the immediately  
2           preceding fiscal year."

3           SECTION 2. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5           SECTION 3. This Act shall take effect on July 1, 2017.



**Report Title:**

Emergency and Budget Reserve Fund; Rainy Day Fund; Restrictions

**Description:**

Prohibits the legislature from appropriating from the Emergency and Budget Reserve Fund: (1) more than 50% of the balance of the fund in a single fiscal year; (2) to expend for discretionary costs in a fiscal year, an amount that exceeds 10% of the total discretionary funds appropriated by the Legislature for the same fiscal year; and (3) for a succeeding fiscal year, unless the current fiscal year's tax collection is less than the collection for the previous fiscal year. (SD1)

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