
A BILL FOR AN ACT

RELATING TO BUDGET DOCUMENTS.

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

1 SECTION 1. The legislature finds that information on tax
2 expenditures is necessary for good public policy decision-
3 making. Tax expenditures, like appropriations of funds, result
4 in the reduction of available resources for public programs.
5 Thus, the legislature requires information in order to weigh the
6 costs of tax expenditures against the costs of public programs
7 that are dependent on budget appropriations.

8 The legislature further finds that this Act promotes
9 transparency. Public information on tax expenditures,
10 particularly their negative impact on the state treasury, is not
11 as readily available as is public information on budget
12 appropriations and expenditures. This Act is intended to
13 provide more publicly available information on tax expenditures.

14 This Act recognizes that the expertise in providing tax
15 expenditure information rests with the department of taxation,
16 and not the department of budget and finance, which is
17 responsible for preparing the state six-year program and



1 financial plan and budget. Consequently, this Act requires the
2 department of taxation to provide the relevant information upon
3 request of the department of budget and finance.

4 The legislature has delayed the effective date of this Act
5 to give the department of taxation time to prepare for providing
6 the applicable tax expenditure information. The legislature is
7 aware that, at present, the department of taxation may not have
8 the capability to compile the information.

9 However, the legislature notes that the department of
10 taxation is undertaking a tax system modernization project, the
11 total cost of which may reach \$59,900,000. Given the project's
12 magnitude and cost to taxpayers, the legislature expects the
13 project to produce substantial benefits. One expected benefit
14 is better access to tax expenditure information for the
15 legislature and the public.

16 The purpose of this Act is to require that the state six-
17 year program and financial plan and budget include information
18 on tax expenditures, meaning the amount of revenue lost due to
19 tax credits, exemptions, deductions, and abatements.



1 SECTION 2. Section 37-62, Hawaii Revised Statutes, is
2 amended by adding a new definition of "tax expenditures" to be
3 appropriately inserted and to read as follows:

4 "Tax expenditure" means an exemption, deduction, credit,
5 exclusion, or other deviation from normal tax structure, as
6 determined by the department of taxation. The term does not
7 include:

8 (1) Amounts lost due to compromises, settlements, or
9 closing agreements; or

10 (2) Any exemption, deduction, credit, or exclusion that is
11 allowed for Hawaii income tax purposes by conformity
12 to provisions in the Internal Revenue Code."

13 SECTION 3. Section 37-69, Hawaii Revised Statutes, is
14 amended by amending subsection (c) to read as follows:

15 "(c) The financial plan for the ensuing six fiscal years
16 shall more specifically include:

17 (1) Economic data for the State and the counties of the
18 following kinds:

19 (A) Population: Including historical, current, and
20 projected population count; population
21 distribution by age and sex; estimated increases



- 1 and decreases, including increases and decreases
- 2 by immigration;
- 3 (B) Employment: Including magnitude of labor force
- 4 by age and sex; labor force participation rates;
- 5 employment by age and sex; industry and
- 6 occupational surpluses and shortages; effects of
- 7 government programs on employment rate;
- 8 (C) Income: Including per capita and per family
- 9 income; disposable income; income distribution;
- 10 (D) Wages and prices: Including wages by industry
- 11 and occupational groups; prices for government
- 12 procurement items; construction costs; cost of
- 13 living index; price indices for components of
- 14 personal consumption;
- 15 (E) Industry and business trends; and
- 16 (F) Effects of national economic and financial
- 17 policies and conditions;
- 18 (2) Brief statements disclosing the basis upon which the
- 19 revenue estimates in the plan were made, including for
- 20 each specific tax and nontax revenue source:



- 1 (A) The previous projections for the last completed
- 2 fiscal year and the fiscal year in progress;
- 3 (B) The variance between the projections and the
- 4 actual or revised estimate, and the reasons for
- 5 the variances;
- 6 (C) Tax or source base and rates;
- 7 (D) Yield projections of existing revenue sources and
- 8 existing taxes at authorized rates;
- 9 (E) Assumptions made and methodology used in
- 10 projections;
- 11 (F) Changes recommended; and
- 12 (G) Projected yields if changes are adopted; etc.;
- 13 (3) At the lowest level on the state program structure,
- 14 for each program:
- 15 (A) The total actual program cost for the last
- 16 completed fiscal year, the estimated cost for the
- 17 fiscal year in progress, and the estimated cost
- 18 for each of the next six fiscal years; research
- 19 and development, operating, and capital costs
- 20 shall be included and the means of financing
- 21 shall be identified. The position ceiling and



1 all lease payments shall be shown for the
2 program, identified by their means of financing;
3 (B) The program size indicators; the actual size
4 attained in the last completed fiscal year, the
5 estimated size for the fiscal year in progress,
6 and the estimated size for each of the next six
7 fiscal years; and
8 (C) The effectiveness measures; the actual level of
9 effectiveness attained in the last completed
10 fiscal year, the estimated level of effectiveness
11 for the fiscal year in progress, and the
12 estimated level for each of the next six fiscal
13 years;
14 (4) Appropriate displays of paragraph (3) (A) and (C), at
15 every level of the state program structure above the
16 lowest level, by the major groupings of programs
17 encompassed within the level. The displays of
18 paragraph (3) (A) shall appropriately identify the
19 means of financing and position ceiling included in
20 the level;



- 1 (5) Financial summaries displaying the State's financial
2 condition, actual for the last completed fiscal year,
3 and estimated for the fiscal year in progress and each
4 of the next six fiscal years, including:
- 5 (A) A display of the programmed, total state
6 expenditures, by cost categories, the total state
7 resources anticipated from existing tax and
8 nontax sources at existing rates, by resource
9 categories, including the fund balance or deficit
10 at the beginning of the fiscal year and bond
11 receipts, and the resulting fund balance or
12 deficit at the close of each fiscal year. Lease
13 payments in each cost category shall be stated
14 separately; and
- 15 (B) The changes proposed to the existing tax and
16 nontax rates, sources or structure, and the
17 estimated increases or reductions in revenues,
18 the estimated cumulative increases or reductions,
19 and the estimated fund balance or deficit in each
20 of the next six fiscal years as a result of
21 [~~such~~] the proposed changes. Proposals for



1 changes in the existing tax and nontax rates,
2 sources or structure shall be made in every case
3 where the proposed, total state expenditures
4 exceed the total resources anticipated from
5 existing tax and nontax sources at existing
6 rates.

7 The financial summaries shall be prepared for the
8 total state expenditures and resources and for the
9 general fund and special fund portions thereof;

10 (6) A summary of the balance of each special fund, actual
11 for the last completed fiscal year and estimated for
12 the fiscal year in progress and estimated for each of
13 the next six fiscal years;

14 (7) A summary of the State's total bond fund required to
15 carry out the recommended programs and the kinds of
16 bonds and amounts thereof through which the
17 requirements were met in the last completed fiscal
18 year, are to be met in the fiscal year in progress,
19 and are proposed to be met in each of the next six
20 fiscal years. The summary shall detail, for each
21 fiscal year:



- 1 (A) Of the total bond fund requirements, the amount,
2 by cost categories, requiring new bond issuance
3 authorization and the kinds and amounts of bonds
4 planned for issuance under the new
5 authorizations;
- 6 (B) By bond categories, the total, cumulative balance
7 of bonds authorized in prior years but unissued
8 and the amount thereof proposed to be issued; and
- 9 (C) A recapitulation of the total bonds to be issued,
10 including both new authorizations and prior
11 authorizations, by bond categories;
- 12 (8) Separately for general fund tax revenues, special fund
13 tax revenues, general fund nontax revenues, and
14 special fund nontax revenues:
 - 15 (A) By kinds of taxes or sources, the amount of
16 revenue from existing, authorized taxes or
17 sources at existing rates received in the last
18 completed fiscal year and estimated to be
19 received in the fiscal year in progress and in
20 each of the next six fiscal years;



1 (B) By kinds of taxes, the amount of tax expenditures
2 made in the last completed fiscal year and
3 estimated to be made in the fiscal year in
4 progress and in each of the next six fiscal
5 years. Upon the request of the department of
6 budget and finance, the department of taxation
7 shall provide the information required by this
8 subparagraph;

9 ~~[-B-]~~ (C) A summary of the proposed changes in the
10 existing taxes or sources or rates, and the
11 estimated increases or reductions in revenues in
12 each of the next six fiscal years resulting from
13 ~~[such]~~ the changes; and

14 ~~[-C-]~~ (D) The total estimated revenues with and
15 without the proposed changes in each of the next
16 six fiscal years;

17 (9) A summary of the State's total payments due under
18 financing agreements required to carry out the
19 recommended programs and the kinds of financing
20 agreements and amounts thereof through which the
21 requirements were met in the last completed fiscal



1 year, are to be met in the fiscal year in progress,
2 and are proposed to be met in each of the next six
3 fiscal years. The summary shall detail, for each
4 fiscal year:

5 (A) Of the total financing agreement requirements,
6 the amount, by cost categories, requiring new
7 financing agreement authorizations and the kinds
8 and amounts of financing agreements planned for
9 execution and delivery under the new
10 authorizations;

11 (B) By cost category, the cumulative balance of
12 financing agreements authorized in prior years
13 but not executed and delivered and the amount
14 proposed to be executed and delivered; and

15 (C) A recapitulation of the total financing
16 agreements to be executed and delivered,
17 including both new authorizations and prior
18 authorizations, by cost categories; and

19 (10) A summary of the state government's pension liability
20 and other post-employment benefit liability for which
21 the most current information is available, including:



- 1 (A) Unfunded actuarial accrued liability specified in
- 2 the latest actuarial valuation report available
- 3 in the pertinent fiscal year;
- 4 (B) Funded ratio specified in the latest actuarial
- 5 valuation report available in the pertinent
- 6 fiscal year;
- 7 (C) Funding period specified in the latest actuarial
- 8 valuation report available in the pertinent
- 9 fiscal year; and
- 10 (D) Annual required contribution for the pertinent
- 11 fiscal year and the proportion of the annual
- 12 required contribution budgeted to be paid in that
- 13 fiscal year."

14 SECTION 4. Section 37-71, Hawaii Revised Statutes, is
15 amended by amending subsection (d) to read as follows:

16 "(d) The summaries of the state receipts and revenues
17 shall more specifically include:

18 (1) Financial summaries displaying the State's financial
19 condition, to-wit:

20 (A) A display of the proposed, total state
21 expenditures, by cost categories, the total state



1 resources anticipated from existing taxes and
2 nontax sources at existing rates, by resource
3 categories (including the available fund balances
4 or deficits and anticipated bond receipts), and
5 the fund balance or deficit resulting therefrom
6 for the biennium in progress, for the ensuing
7 biennium, and for each of the two fiscal years of
8 the ensuing biennium; and
9 (B) The changes proposed to the existing tax and
10 nontax rates, sources, or structure, and the
11 estimated cumulative increases or reductions, and
12 the estimated fund balance or deficit in the
13 ensuing biennium and in each of the two fiscal
14 years of the biennium as a result of ~~such~~ the
15 proposed changes. Proposals for changes in the
16 existing tax and nontax rates, sources, or
17 structure shall be made in every case where the
18 proposed, total state expenditures exceed the
19 total state resources anticipated from existing
20 tax and nontax sources at existing rates.



1 ~~[Such]~~ The financial summaries shall be prepared for
2 the total state expenditures and resources and for the
3 general fund and special fund portions thereof;

4 (2) A summary of the balances of each special fund, actual
5 for the last completed fiscal year and estimated for
6 the fiscal year in progress and for each of the two
7 fiscal years in the ensuing biennium;

8 (3) A summary of the State's total bond fund required to
9 carry out the recommended programs and the kinds of
10 bonds and amounts thereof through which ~~[such]~~ the
11 requirements are to be met in the biennium in progress
12 and in each of the two fiscal years in the ensuing
13 biennium. The summary shall detail for the biennium
14 in progress and for each of the two years of the
15 ensuing biennium:

16 (A) Of the total requirements, the amount, by cost
17 categories, requiring new bond issuance
18 authorization and the kinds and amounts of bonds
19 planned for issuance under ~~[such]~~ the new
20 authorization;



- 1 (B) By bond categories, the total, cumulative balance
- 2 of bonds authorized in prior years but unissued
- 3 and the amount thereof planned to be issued; and
- 4 (C) A recapitulation of the total bonds, both new
- 5 authorizations and prior authorizations, by bond
- 6 categories, proposed to be issued;
- 7 (4) A tentative schedule by quarter and fiscal year of the
- 8 amount of general obligation bonds and the amount of
- 9 revenue bonds proposed to be issued in the ensuing
- 10 fiscal biennium;
- 11 (5) A schedule of projected debt service charges for
- 12 general obligation bonds outstanding at the time of
- 13 the submission of the budget and to be issued by the
- 14 close of the budget biennium in progress and the close
- 15 of the ensuing budget biennium. The projection shall
- 16 be separately stated for:
- 17 (A) Bonds currently outstanding;
- 18 (B) Bonds to be issued during the remainder of the
- 19 fiscal biennium in progress and during the
- 20 ensuing fiscal biennium; and



1 (C) The total bonds currently outstanding and to be
2 issued.

3 In each case, the projection shall be categorized into
4 debt service to be paid directly from the general
5 fund, debt service to be paid through reimbursements,
6 and total debt service. The projection shall extend
7 at least five years beyond the close of the ensuing
8 fiscal biennium. An explanation shall be appended to
9 the schedule, which shall include among other things,
10 the amount of bonds to be issued during the fiscal
11 year in progress and in each of the two fiscal years
12 of the ensuing biennium, the maturities of the bonds
13 to be issued, the method of retirement, and the
14 interest rate assumed in the projection;

15 (6) A schedule of the current state funded debt, legal
16 debt limit, and the legal debt margin, including the
17 details thereof. In any budget [~~which~~] that proposes
18 appropriations for which the source of funding is
19 general obligation bonds, the schedule shall include a
20 declaration by the director of finance and
21 computations showing that the total amount of



1 principal and interest, estimated for [~~sueh~~] the
2 proposed appropriations and for all bonds authorized
3 and unissued and calculated for all bonds issued and
4 outstanding, will not cause the debt limit to be
5 exceeded at the time of issuance;

6 (7) Separately for general fund tax revenues, special fund
7 tax revenues, general fund nontax revenues, and
8 special fund nontax revenues:

9 (A) By kinds of taxes or sources, the amount of
10 revenue from existing, authorized taxes or
11 sources at existing rates received in the last
12 completed fiscal year and estimated to be
13 received in the fiscal year in progress and in
14 each of the two fiscal years in the ensuing
15 biennium, with appropriate totals for the two
16 bienniums;

17 (B) The same information required for tax
18 expenditures under section 37-69(c)(8)(B);

19 [~~(B)~~] (C) A summary of the proposed changes in the
20 existing taxes or sources or rates, and the
21 estimated increases or reductions in revenues in



1 each of the two years in the ensuing fiscal
 2 biennium resulting from [~~such~~] those changes; and
 3 [~~(C)~~] (D) The total estimated revenues with and
 4 without the proposed changes;

5 (8) A summary of the State's total payments due under
 6 financing agreements required to carry out the
 7 recommended programs and the kinds of financing
 8 agreements and amounts thereof through which those
 9 requirements are to be met in the biennium in progress
 10 and in each of the two fiscal years in the ensuing
 11 biennium. The summary shall detail for the biennium
 12 in progress and for each of the two years of the
 13 ensuing biennium:

14 (A) Of the total financing agreement requirements,
 15 the amount, by cost categories, requiring new
 16 financing agreement authorizations and the kinds
 17 and amounts of financing agreements planned for
 18 execution and delivery under the new
 19 authorizations;

20 (B) By cost category, the cumulative balance of
 21 financing agreements authorized in prior years



1 but not executed and delivered and the amount
2 thereof proposed to be executed and delivered;
3 and

4 (C) A recapitulation of the total financing
5 agreements to be executed and delivered,
6 including both new authorizations and prior
7 authorizations, by cost categories; and

8 (9) The same information required under section
9 37-69(c)(10) for the state government's pension and
10 other post-employment benefits liabilities."

11 SECTION 5. Sections 3 and 4 shall apply to the six-year
12 program and financial plans, budgets, and supplemental budgets
13 submitted under sections 37-69, 37-71, and 37-72, Hawaii Revised
14 Statutes, after the effective date of this Act.

15 SECTION 6. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 7. This Act shall take effect on July 1, 2030.



Report Title:

Budget Documents; Tax Expenditures

Description:

Requires the six-year program and financial plan and budget to include information on tax expenditures. (SB713 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

