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**WRITTEN ONLY**  
TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 101

**February 24, 2017  
1:35 p.m.  
Room 211**

RELATING TO STATE FUNDS

Senate Bill No. 101 makes undetermined general fund appropriations and to the Emergency and Budget Reserve Fund (EBRF) for the pre-payment of the accrued pension and other post-employment benefit liability of the State.

The Department of Budget and Finance supports the intent to comply with Article VII, Section 6, Hawaii State Constitution, regarding the disposition of excess general fund revenues. However, it appears those requirements have already been met.

Article VII, Section 6, Hawaii State Constitution, regarding the 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 two successive 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.

Section 328L-3, HRS, provides that whenever general fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by 5%,

the Director of Finance is required to transfer 5% of the general fund balance to be deposited into the EBRF, provided that the EBRF balance is less than 10% of general fund revenues for the preceding fiscal year.

For FYs 15 and 16, general fund balances were greater than 5% of general fund revenues, FYs 15 and 16 general fund revenues exceeded 5% of the previous fiscal year's general fund revenues and the FY 16 EBRF balance was less than 10% of general fund revenues for FY 15. Accordingly, the Director of Finance transferred 5% of the FY 16 general fund balance (\$51.4 million) to the EBRF in FY 17. This action satisfies the Article VII, Section 6, requirements.

Thank you for your consideration of our comments.