

JAN 26 2009

A BILL FOR AN ACT

RELATING TO NON-GENERAL FUNDS.

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

1 SECTION 1. Many unprecedented events have converged to
2 create an economic, financial, and fiscal environment that
3 threatens the very foundation of our national economy. Problems
4 that arose in the national housing sector and sub-prime mortgage
5 market last year have radiated from Wall Street to Main Street.
6 Across the United States, the result has been increasing
7 business bankruptcies and closures, lower consumer confidence
8 and spending, and job losses and rising unemployment.

9 For state governments, the financial crisis and economic
10 downturn have adversely impacted tax revenues and budgets. Most
11 states, like Hawaii, rely on income and sales taxes as their
12 main sources of revenues. The slowdown in employment and
13 consumer spending has reduced state revenues nationwide at a
14 time when operating costs continue to rise.

15 Hawaii is experiencing a severe contraction in its visitor,
16 retail, and construction industries. As a consequence, the
17 council on revenues has revised its revenue projections downward
18 five times during 2008 and once again at the beginning of

1 January 2009. The cumulative effect of these successive
2 reductions in revenue estimates for fiscal years 2008-2009,
3 2009-2010 and 2010-2011 is a substantial decrease in the amount
4 of general funds that the State can expect in the immediate and
5 near future. Given the level of spending that has been
6 authorized by the legislature during the 2007 and 2008 regular
7 and special sessions and the anticipated rising cost of state
8 operations, a \$1,760,000,000 general fund budget shortfall is
9 projected by the end of fiscal year 2010-2011 if corrective
10 action is not taken.

11 The legislature finds that due to the extraordinary fiscal
12 crisis the State faces, non-general funds must be reviewed and
13 scrutinized to determine if there are excess balances available.
14 The legislature further finds that transfers of excess balances
15 are needed to help address the critical budget shortfall in
16 fiscal biennium 2009-2011.

17 The purpose of this Act is to address the budget shortfall
18 by transferring a total of \$19,000,000 from the deposit beverage
19 container deposit special fund and the wireless enhanced 911
20 fund to the general fund for fiscal year 2009-2010.

SECTION 2. Section 138-3, Hawaii Revised Statutes, is amended to read as follows:

"§138-3 Wireless enhanced 911 fund. There is established outside the state treasury a special fund, to be known as the wireless enhanced 911 fund, to be administered by the board. The fund shall consist of amounts collected under section 138-4. ~~[Moneys paid into the fund are not general fund revenues of the State.]~~ The board shall place the funds in an interest-bearing account at any federally insured financial institution, separate and apart from the general fund of the State. Moneys in the fund shall be expended exclusively by the board for the purposes of ensuring adequate cost recovery for the deployment of phase I and phase II wireless enhanced 911 service and for expenses of administering the fund. Any funds that accumulate in the wireless enhanced 911 fund shall be retained in the fund unless determined by the legislature to be in excess."

SECTION 3. Section 342G-104, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) Any funds that accumulate in the deposit beverage container deposit special fund shall be retained in the fund unless determined by the ~~[auditor]~~ legislature to be in excess~~[7 after adjustments to the deposit beverage fee, pursuant to the~~

1 ~~management and financial audits conducted in accordance with~~
2 ~~Section 342G-107]."~~

3 SECTION 4. The legislature determines that there is in the
4 deposit beverage container deposit special fund at least
5 \$10,000,000 in excess of the requirements of the fund. On
6 July 1, 2009, the director of finance is authorized to transfer
7 from the deposit beverage container deposit special fund to the
8 general fund the sum of \$10,000,000 or so much thereof as may be
9 necessary for fiscal year 2009-2010.

10 SECTION 5. The legislature determines that there is in the
11 wireless enhanced 911 fund at least \$9,000,000 in excess of the
12 requirements of the fund. On July 1, 2009, the director of
13 finance is authorized to transfer from the wireless enhanced 911
14 fund to the general fund the sum of \$9,000,000 or so much
15 thereof as may be necessary for fiscal year 2009-2010.

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

18 SECTION 7. This Act shall take effect upon its approval.

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INTRODUCED BY: _____

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BY REQUEST

Report Title:

Transfer of Non-General Funds

Description:

Transfers excess balances from certain special funds to the general fund to address the budget shortfall in fiscal biennium 2009-2011.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO NON-GENERAL FUNDS.

PURPOSE: Transfer \$10,000,000 from the Deposit Beverage Container Deposit Special Fund and \$9,000,000 from the Wireless Enhanced 911 Fund for fiscal year 2009-2010 to the general fund to help address the budget shortfall in fiscal biennium 2009-2011. Also changes the requirements of these special funds in order to enable the transfer of a total of \$19,000,000 into the general fund.

MEANS: Amend section 138-3 and subsection 342G-104(c), Hawaii Revised Statutes; and determine through the Legislature that the specified amounts from the identified funds are in excess of requirements of the respective funds and authorize the Director of Finance to transfer those amounts to the general fund on July 1, 2009.

JUSTIFICATION: Many unprecedented events have converged to create an economic, financial, and fiscal environment that threatens the very foundation of our national economy. Problems that arose in the national housing sector and sub-prime mortgage market last year have radiated from Wall Street to Main Street. Across the United States, the result has been increasing business bankruptcies and closures, lower consumer confidence and spending, and job losses and rising unemployment.

For state governments, the financial crisis and economic downturn have adversely impacted tax revenues and budgets. Most states, like Hawaii, rely on income and sales taxes as their main sources of revenues. The slowdown in employment and

consumer spending has reduced state revenues nationwide at a time when operating costs continue to rise.

Hawaii is experiencing a severe contraction in its visitor, retail, and construction industries. As a consequence, the Council on Revenues has revised its revenue projections downward five times during 2008 and once again at the beginning of January 2009. The cumulative effect of these successive reductions in revenue estimates for fiscal years 2008-2009, 2009-2010 and 2010-2011 is a substantial decrease in the amount of general funds that the State can expect in the immediate and near future. Given the level of spending that has been authorized by the Legislature during the 2007 and 2008 regular and special sessions and the anticipated rising cost of state operations, a \$1,760,000,000 general fund budget shortfall is projected by the end of fiscal year 2010-2011 if corrective action is not taken. These transfers are one of the steps being taken to address this shortfall.

Impact on the public: This measure will help ensure that the budget shortfall is met and that the State is operating within a balanced budget.

Impact on the department and other agencies: This measure will help ensure that the budget shortfall is met and that the State is operating within a balanced budget.

GENERAL FUND:

None.

OTHER FUNDS:

\$10,000,000 from the Deposit Beverage Container Deposit Special Fund and \$9,000,000 from the Wireless Enhanced 911 Fund for fiscal year 2009-2010.

PPBS PROGRAM

DESIGNATION:

AGS 891 and HTH 840.

OTHER AGENCIES

AFFECTED:

Department of Accounting and General
Services and Department of Health.

EFFECTIVE DATE:

Upon approval.