

Honolulu, Hawaii

March 30, 2010

RE: S.B. No. 2806
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2806, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND,"

begs leave to report as follows:

The purpose of this bill is to ensure that the Emergency and Budget Reserve Fund (EBRF) has adequate reserves during times of emergency, economic downturn, or unforeseen reduction in revenues. This bill:

- (1) Authorizes the transfer of five percent of the general fund balance at the close of the fiscal year when general fund revenues for each of two successive fiscal years exceed revenue for each of the preceding fiscal years by five percent;
- (2) Requires that the end-of-fiscal-year general fund balance be calculated before any tax refund or tax credit is authorized;
- (3) Prohibits the transfer of funds to the EBRF whenever the its balance is equal to or greater than ten percent of general fund revenues for the preceding fiscal year;



- (4) Requires that general fund revenues deposited into the EBRF be kept in separate accounts from other moneys in the EBRF;
- (5) Requires that all interest earned from moneys in the EBRF be credited to the fund; and
- (6) Clarifies that economic downturns must be severe before EBRF funds may be expended.

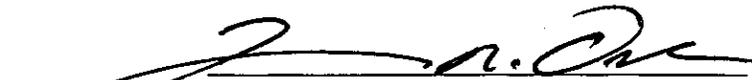
The Office of the Governor, Department of Budget and Finance, Policy Board for Elder Affairs, and Ohana Health Plan testified in support of this measure. The Tax Foundation of Hawaii offered comments.

Your Committee has amended this bill by:

- (1) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2806, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2806, S.D. 2, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



