

JAN 22 2015

A BILL FOR AN ACT

RELATING TO THE GENERAL FUND EXPENDITURE CEILING.

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

1 SECTION 1. Article VII, section 9, of the state
2 constitution requires the establishment of a general fund
3 expenditure ceiling that may be exceeded only upon two-thirds
4 vote of each house of the legislature.

5 The legislature finds that the current general fund
6 expenditure ceiling is no longer practical. Because of the
7 method of computation established by statute, the present
8 ceiling is now extremely high -- much higher than actual general
9 fund appropriations. Continuing the calculation of the ceiling
10 under the current formula may give the impression that the State
11 is able to increase general fund appropriations substantially.
12 This, however, is not the case. A high ceiling does not mean
13 actual general fund revenues are available to spend up to the
14 ceiling.

15 The legislature finds that a more realistic general fund
16 expenditure ceiling is necessary. The legislature further finds
17 that a realistic ceiling would:



- 1 (1) Necessitate a more rigorous examination of public
- 2 policy priorities when formulating the state budget;
- 3 (2) Promote greater deliberation, foresight, and
- 4 comprehensiveness in budget-making;
- 5 (3) Encourage fiscal prudence and restraint;
- 6 (4) Re-establish the relevancy of the general fund
- 7 expenditure ceiling, as the constitutional convention
- 8 of 1978 intended; and
- 9 (5) Reinforce and re-emphasize the connection between
- 10 economic growth and general fund appropriation growth.

11 The purpose of this Act is to recalibrate the formula for
12 computing the general fund expenditure ceiling so that the
13 ceiling is set at a more realistic level beginning from the
14 fiscal year 2019-2020.

15 The recalibration is delayed until fiscal year 2019-2020 to
16 eliminate any distortion that may be caused by the gradually
17 increasing schedule of annual required contributions for public
18 employees' pensions that commenced from fiscal year 2014-2015
19 under Act 268, Session Laws of Hawaii 2013.

20 SECTION 2. Section 37-91, Hawaii Revised Statutes, is
21 amended as follows:



1 1. By amending the definition of "expenditure ceiling" to
2 read:

3 ""Expenditure ceiling" means the maximum general fund
4 appropriations allowed in any year[~~-. The~~]; provided that:

5 (1) Until the fiscal year 2018-2019, the expenditure
6 ceiling shall be determined by considering the fiscal
7 year 1978-1979 general fund appropriations as the
8 initial expenditure ceiling. The expenditure ceiling
9 for succeeding fiscal years through fiscal year 2018-
10 2019 shall be computed by adjusting the immediate
11 prior fiscal year expenditure ceiling by the
12 applicable state growth. When revisions are made to
13 the total state personal income[~~7~~] before July 1,
14 2019, the expenditure ceiling shall be recalculated on
15 the basis of the latest available data, going back to
16 fiscal year 1978-1979[~~-~~]; and

17 (2) From fiscal year 2019-2020, the expenditure ceiling
18 shall be computed by adjusting the total general fund
19 appropriation for the immediate prior fiscal year by
20 the applicable state growth.



1 For paragraph (2), when a revision is made to total state
2 personal income for any of the three calendar years immediately
3 preceding a fiscal year that has already elapsed or is in
4 progress when the revision is officially published, the revision
5 shall not change the expenditure ceiling for that fiscal year.
6 The revision, however, shall be used to compute the expenditure
7 ceiling for any subsequent fiscal year. A revision shall be
8 deemed officially published when initially published by the
9 United States Department of Commerce, Social and Economic
10 Statistics Administration, Bureau of Economic Analysis, or
11 submitted in writing to the governor by the council on revenues,
12 as the case may be."

13 2. By amending the definition of "total state personal
14 income" to read:

15 ""Total state personal income" means the total state
16 personal income as defined by the state personal income series
17 published by the United States Department of Commerce, Social
18 and Economic Statistics Administration, Bureau of Economic
19 Analysis, or its successor, for each year for which [~~such~~] the
20 income has been determined and published, including all
21 revisions to the series. For the current and next succeeding



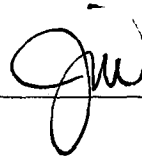
1 calendar year for which [~~such~~] the income has not been
2 determined or published, [~~it~~] the term shall mean the total
3 state personal income for [~~such~~] the year as estimated by the
4 council on revenues."

5 SECTION 3. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 4. This Act shall take effect upon its approval.

8

INTRODUCED BY: _____



Report Title:

General Fund Expenditure Ceiling; Recalibration

Description:

Recalibrates the general fund expenditure ceiling from the fiscal year 2019-2020. Requires the recalibration to be based on the previous fiscal year's general fund appropriation, rather than general fund expenditure ceiling.

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