
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 However, this, is not the case. A high ceiling does not mean
13 that actual general fund revenues are available to spend up to
14 the 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) Necessitate a more rigorous examination of public policy priorities when formulating the state budget;
- (2) Promote greater deliberation, foresight, and comprehensiveness in budget-making;
- (3) Encourage fiscal prudence and restraint;
- (4) Re-establish the relevance of the general fund expenditure ceiling, as the constitutional convention of 1978 intended; and
- (5) Reinforce and re-emphasize the connection between economic growth and general fund appropriation growth.

The purpose of this Act is to recalibrate the formula for computing the general fund expenditure ceiling beginning from fiscal year 2019-2020, so that the ceiling is set at a more realistic level. The recalibration is delayed until fiscal year 2019-2020 to eliminate any distortion that may be caused by the gradually increasing schedule of annual required contributions for public employees' pensions that commenced from fiscal year 2014-2015 under Act 268, Session Laws of Hawaii 2013.

This Act also requires the 2015 tax review commission to review this Act and submit findings and recommendations to the



1 legislature, including any proposed amendments to this Act
2 intended to take effect before July 1, 2018.

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

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

7 "Expenditure ceiling" means the maximum general fund
8 appropriations allowed in any year[~~—The~~]; provided that:

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



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

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

17 2. By amending the definition of "total state personal
18 income" to read:

19 ""Total state personal income" means the total state
20 personal income as defined by the state personal income series
21 published by the United States Department of Commerce, Social



1 and Economic Statistics Administration, Bureau of Economic
2 Analysis, or its successor, for each year for which [~~such~~] the
3 income has been determined and published, including all
4 revisions to the series. For the current and next succeeding
5 calendar year for which [~~such~~] the income has not been
6 determined or published, [~~it~~] the term shall mean the total
7 state personal income for [~~such~~] the year as estimated by the
8 council on revenues."

9 SECTION 3. In addition to its duties under article VII,
10 section 3, of the Constitution of the State of Hawaii and
11 chapter 232E, Hawaii Revised Statutes, the 2015 tax review
12 commission shall review this Act:

- 13 (1) As part of the commission's evaluation of the tax
14 structure; and
15 (2) To determine if this Act is consistent with the
16 revenue and tax policy of the State.

17 The commission shall submit to the legislature its findings
18 and recommendations on this Act concurrently with submittal of
19 its report on the tax system. The recommendations may include
20 proposed amendments to this Act that are intended to take effect
21 before July 1, 2018.



1 SECTION 4. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect upon its approval.



Report Title:

General Fund Expenditure Ceiling; Recalibration

Description:

Recalibrates the general fund expenditure ceiling from fiscal year 2019-2020. Requires the recalibration to be based on the previous fiscal year's general fund appropriation, rather than the previous fiscal year's general fund expenditure ceiling. Requires the 2015 tax review commission to review this Act and submit findings and recommendations to the legislature. (SD1)

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