

JAN 23 2015

A BILL FOR AN ACT

RELATING TO BUDGET DOCUMENTS.

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

1 SECTION 1. The purpose of this Act is to address the
2 sufficiency of budget documents by requiring the six-year
3 program and financial plan and budget to include information on
4 tax expenditures.

5 This Act also provides an appropriation to the department
6 of taxation to prepare the tax expenditure information required
7 under this Act.

8 SECTION 2. Section 37-62, Hawaii Revised Statutes, is
9 amended by adding a new definition of "tax expenditures" to be
10 appropriately inserted and to read as follows:

11 "Tax expenditures" means the amount of revenue lost due to
12 tax credits, exemptions, deductions, and abatements. The term
13 does not include the amounts lost due to compromises,
14 settlements, or closing agreements."

15 SECTION 3. Section 37-69; Hawaii Revised Statutes, is
16 amended by amending subsection (c) to read as follows:



1 "(c) The financial plan for the ensuing six fiscal years
2 shall more specifically include:

3 (1) Economic data for the State and the counties of the
4 following kinds:

5 (A) Population: Including historical, current, and
6 projected population count; population
7 distribution by age and sex; estimated increases
8 and decreases, including increases and decreases
9 by immigration;

10 (B) Employment: Including magnitude of labor force by
11 age and sex; labor force participation rates;
12 employment by age and sex; industry and
13 occupational surpluses and shortages; effects of
14 government programs on employment rate;

15 (C) Income: Including per capita and per family
16 income; disposable income; income distribution;

17 (D) Wages and prices: Including wages by industry and
18 occupational groups; prices for government
19 procurement items; construction costs; cost of
20 living index; price indices for components of
21 personal consumption;



- 1 (E) Industry and business trends; and
- 2 (F) Effects of national economic and financial
- 3 policies and conditions;
- 4 (2) Brief statements disclosing the basis upon which the
- 5 revenue estimates in the plan were made, including for
- 6 each specific tax and nontax revenue source:
- 7 (A) The previous projections for the last completed
- 8 fiscal year and the fiscal year in progress;
- 9 (B) The variance between the projections and the
- 10 actual or revised estimate, and the reasons for
- 11 the variances;
- 12 (C) Tax or source base and rates;
- 13 (D) Yield projections of existing revenue sources and
- 14 existing taxes at authorized rates;
- 15 (E) Assumptions made and methodology used in
- 16 projections;
- 17 (F) Changes recommended; and
- 18 (G) Projected yields if changes are adopted; etc.;
- 19 (3) At the lowest level on the state program structure,
- 20 for each program:



- 1 (A) The total actual program cost for the last
2 completed fiscal year, the estimated cost for the
3 fiscal year in progress, and the estimated cost
4 for each of the next six fiscal years; research
5 and development, operating, and capital costs
6 shall be included and the means of financing
7 shall be identified. The number of personnel
8 positions and all lease payments shall be shown
9 for the program, identified by their means of
10 financing;
- 11 (B) The program size indicators; the actual size
12 attained in the last completed fiscal year, the
13 estimated size for the fiscal year in progress,
14 and the estimated size for each of the next six
15 fiscal years; and
- 16 (C) The effectiveness measures; the actual level of
17 effectiveness attained in the last completed
18 fiscal year, the estimated level of effectiveness
19 for the fiscal year in progress, and the
20 estimated level for each of the next six fiscal
21 years;



1 (4) Appropriate displays of paragraph (3)(A) and (C), at
2 every level of the state program structure above the
3 lowest level, by the major groupings of programs
4 encompassed within the level. The displays of
5 [+]paragraph[+] (3)(A) shall appropriately identify
6 the means of financing and the number of positions
7 included in the level;

8 (5) Financial summaries displaying the State's financial
9 condition, actual for the last completed fiscal year,
10 and estimated for the fiscal year in progress and each
11 of the next six fiscal years, including:

12 (A) A display of the programmed, total state
13 expenditures, by cost categories, the total state
14 resources anticipated from existing tax and
15 nontax sources at existing rates, by resource
16 categories, including the fund balance or deficit
17 at the beginning of the fiscal year and bond
18 receipts, and the resulting fund balance or
19 deficit at the close of each fiscal year. Lease
20 payments in each cost category shall be stated
21 separately; and



1 (B) The changes proposed to the existing tax and
2 nontax rates, sources or structure, and the
3 estimated increases or reductions in revenues,
4 the estimated cumulative increases or reductions,
5 and the estimated fund balance or deficit in each
6 of the next six fiscal years as a result of such
7 proposed changes. Proposals for changes in the
8 existing tax and nontax rates, sources or
9 structure shall be made in every case where the
10 proposed, total state expenditures exceed the
11 total resources anticipated from existing tax and
12 nontax sources at existing rates.

13 [~~Such~~] The financial summaries shall be prepared for
14 the total state expenditures and resources and for the
15 general fund and special fund portions thereof;

16 (6) A summary of the balance of each special fund, actual
17 for the last completed fiscal year and estimated for
18 the fiscal year in progress and estimated for each of
19 the next six fiscal years;

20 (7) A summary of the State's total bond fund required to
21 carry out the recommended programs and the kinds of



1 bonds and amounts thereof through which the
2 requirements were met in the last completed fiscal
3 year, are to be met in the fiscal year in progress,
4 and are proposed to be met in each of the next six
5 fiscal years. The summary shall detail, for each
6 fiscal year:

7 (A) Of the total bond fund requirements, the amount,
8 by cost categories, requiring new bond issuance
9 authorization and the kinds and amounts of bonds
10 planned for issuance under [~~sueh~~] the new
11 authorizations;

12 (B) By bond categories, the total, cumulative balance
13 of bonds authorized in prior years but unissued
14 and the amount thereof proposed to be issued; and

15 (C) A recapitulation of the total bonds to be issued,
16 including both new authorizations and prior
17 authorizations, by bond categories;

18 (8) Separately for general fund tax revenues, special fund
19 tax revenues, general fund nontax revenues, and
20 special fund nontax revenues:



S.B. NO. 247

1 (A) By kinds of taxes or sources, the amount of
2 revenue from existing, authorized taxes or
3 sources at existing rates received in the last
4 completed fiscal year and estimated to be
5 received in the fiscal year in progress and in
6 each of the next six fiscal years;

7 (B) By kinds of taxes, the amount of tax expenditures
8 made in the last completed fiscal year and
9 estimated to be made in the fiscal year in
10 progress and in each of the next six fiscal
11 years;

12 [~~(B)~~] (C) A summary of the proposed changes in the
13 existing taxes or sources or rates, and the
14 estimated increases or reductions in revenues in
15 each of the next six fiscal years resulting from
16 such changes; and

17 [~~(C)~~] (D) The total estimated revenues with and
18 without the proposed changes in each of the next
19 six fiscal years; and

20 (9) A summary of the State's total payments due under
21 financing agreements required to carry out the



1 recommended programs and the kinds of financing
2 agreements and amounts thereof through which the
3 requirements were met in the last completed fiscal
4 year, are to be met in the fiscal year in progress,
5 and are proposed to be met in each of the next six
6 fiscal years. The summary shall detail, for each
7 fiscal year:

8 (A) Of the total financing agreement requirements,
9 the amount, by cost categories, requiring new
10 financing agreement authorizations and the kinds
11 and amounts of financing agreements planned for
12 execution and delivery under such new
13 authorizations;

14 (B) By cost category, the cumulative balance of
15 financing agreements authorized in prior years
16 but not executed and delivered and the amount
17 proposed to be executed and delivered; and

18 (C) A recapitulation of the total financing
19 agreements to be executed and delivered,
20 including both new authorizations and prior
21 authorizations, by cost categories."



1 SECTION 4. Section 37-71, Hawaii Revised Statutes, is
2 amended by amending subsection (d) to read as follows:

3 "(d) The summaries of the state receipts and revenues
4 shall more specifically include:

5 (1) Financial summaries displaying the State's financial
6 condition, to-wit:

7 (A) A display of the proposed, total state
8 expenditures, by cost categories, the total state
9 resources anticipated from existing taxes and
10 nontax sources at existing rates, by resource
11 categories (including the available fund balances
12 or deficits and anticipated bond receipts), and
13 the fund balance or deficit resulting therefrom
14 for the biennium in progress, for the ensuing
15 biennium, and for each of the two fiscal years of
16 the ensuing biennium; and

17 (B) The changes proposed to the existing tax and
18 nontax rates, sources, or structure, and the
19 estimated cumulative increases or reductions, and
20 the estimated fund balance or deficit in the
21 ensuing biennium and in each of the two fiscal

1 years of the biennium as a result of such
2 proposed changes. Proposals for changes in the
3 existing tax and nontax rates, sources, or
4 structure shall be made in every case where the
5 proposed, total state expenditures exceed the
6 total state resources anticipated from existing
7 tax and nontax sources at existing rates.

8 [~~Such~~] The financial summaries shall be prepared for
9 the total state expenditures and resources and for the
10 general fund and special fund portions thereof;

11 (2) A summary of the balances of each special fund, actual
12 for the last completed fiscal year and estimated for
13 the fiscal year in progress and for each of the two
14 fiscal years in the ensuing biennium;

15 (3) A summary of the State's total bond fund required to
16 carry out the recommended programs and the kinds of
17 bonds and amounts thereof through which [~~such~~] the
18 requirements are to be met in the biennium in progress
19 and in each of the two fiscal years in the ensuing
20 biennium. The summary shall detail for the biennium



1 in progress and for each of the two years of the
2 ensuing biennium:

3 (A) Of the total requirements, the amount, by cost
4 categories, requiring new bond issuance
5 authorization and the kinds and amounts of bonds
6 planned for issuance under [~~such~~] the new
7 authorization;

8 (B) By bond categories, the total, cumulative balance
9 of bonds authorized in prior years but unissued
10 and the amount thereof planned to be issued; and

11 (C) A recapitulation of the total bonds, both new
12 authorizations and prior authorizations, by bond
13 categories, proposed to be issued;

14 (4) A tentative schedule by quarter and fiscal year of the
15 amount of general obligation bonds and the amount of
16 revenue bonds proposed to be issued in the ensuing
17 fiscal biennium;

18 (5) A schedule of projected debt service charges for
19 general obligation bonds outstanding at the time of
20 the submission of the budget and to be issued by the
21 close of the budget biennium in progress and the close



1 of the ensuing budget biennium. The projection shall
2 be separately stated for:

- 3 (A) Bonds currently outstanding;
- 4 (B) Bonds to be issued during the remainder of the
5 fiscal biennium in progress and during the
6 ensuing fiscal biennium; and
- 7 (C) The total bonds currently outstanding and to be
8 issued.

9 In each case, the projection shall be categorized into
10 debt service to be paid directly from the general
11 fund, debt service to be paid through reimbursements,
12 and total debt service. The projection shall extend
13 at least five years beyond the close of the ensuing
14 fiscal biennium. An explanation shall be appended to
15 the schedule, which shall include among other things,
16 the amount of bonds to be issued during the fiscal
17 year in progress and in each of the two fiscal years
18 of the ensuing biennium, the maturities of the bonds
19 to be issued, the method of retirement, and the
20 interest rate assumed in the projection;



1 (6) A schedule of the current state funded debt, legal
2 debt limit, and the legal debt margin, including the
3 details thereof. In any budget [~~which~~] that proposes
4 appropriations for which the source of funding is
5 general obligation bonds, the schedule shall include a
6 declaration by the director of finance and
7 computations showing that the total amount of
8 principal and interest, estimated for [~~such~~] the
9 proposed appropriations and for all bonds authorized
10 and unissued and calculated for all bonds issued and
11 outstanding, will not cause the debt limit to be
12 exceeded at the time of issuance;

13 (7) Separately for general fund tax revenues, special fund
14 tax revenues, general fund nontax revenues, and
15 special fund nontax revenues:

16 (A) By kinds of taxes or sources, the amount of
17 revenue from existing, authorized taxes or
18 sources at existing rates received in the last
19 completed fiscal year and estimated to be
20 received in the fiscal year in progress and in
21 each of the two fiscal years in the ensuing



1 biennium, with appropriate totals for the two
2 bienniums;

3 (B) The same information required for tax
4 expenditures under section 37-69(c)(8);

5 [~~(B)~~] (C) A summary of the proposed changes in the
6 existing taxes or sources or rates, and the
7 estimated increases or reductions in revenues in
8 each of the two years in the ensuing fiscal
9 biennium resulting from [~~such~~] those changes; and

10 [~~(C)~~] (D) The total estimated revenues with and
11 without the proposed changes; and

12 (8) A summary of the State's total payments due under
13 financing agreements required to carry out the
14 recommended programs and the kinds of financing
15 agreements and amounts thereof through which [~~such~~]
16 the requirements are to be met in the biennium in
17 progress and in each of the two fiscal years in the
18 ensuing biennium. The summary shall detail for the
19 biennium in progress and for each of the two years of
20 the ensuing biennium:



1 (A) Of the total financing agreement requirements,
2 the amount, by cost categories, requiring new
3 financing agreement authorizations and the kinds
4 and amounts of financing agreements planned for
5 execution and delivery under [~~sueh~~] the new
6 authorizations;

7 (B) By cost category, the cumulative balance of
8 financing agreements authorized in prior years
9 but not executed and delivered and the amount
10 thereof proposed to be executed and delivered;
11 and

12 (C) A recapitulation of the total financing
13 agreements to be executed and delivered,
14 including both new authorizations and prior
15 authorizations, by cost categories."

16 SECTION 5. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$50,000 or so much
18 thereof as may be necessary for fiscal year 2015-2016 and the
19 same sum or so much thereof as may be necessary for fiscal year
20 2016-2017 for the preparation of the tax expenditure information



S.B. NO. 247

1 required to be reported in the six-year program and financial
2 plan and budget by this Act.

3 The sums appropriated shall be expended by the department
4 of taxation for the purposes of this Act.

5 SECTION 6. Sections 3 and 4 shall apply to the six-year
6 program and financial plans and budgets submitted under sections
7 37-69, 37-71, and 37-72, Hawaii Revised Statutes, after the
8 effective date of this Act.

9 SECTION 7. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 8. This Act shall take effect on July 1, 2016;
12 provided that section 5 shall take effect on July 1, 2015.

13

INTRODUCED BY:

Jim
~~SC. Rich Agua~~
Alan S. G. H.
M. D. W.



S.B. NO. 247

Report Title:

Budget Documents; Tax Expenditures; Appropriations

Description:

Requires the six-year program and financial plan and budget to include information on tax expenditures. Makes an appropriation to DoTax for preparation of the information. Takes effect on 07/01/16, except the appropriation takes effect on 07/1/15.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

