

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2555

February 4, 2016

RELATING TO STATE FUNDS

Senate Bill No. 2555 makes an undetermined general fund appropriation to be deposited into the Emergency and Budget Reserve Fund (EBRF). The measure is being proposed as a means to comply with the constitutional mandate to provide a tax refund or credit or make a deposit into a reserve fund.

The Department of Budget and Finance supports the intent of this bill.

Article VII, Section 6, Hawaii State Constitution, regarding the Disposition of Excess Revenues, requires that whenever the State general fund balance at the close of each of two successive fiscal years exceeds 5% of general fund revenues for each of the two fiscal years, the Legislature must provide for a tax refund or tax credit to State taxpayers or make a deposit into a reserve fund as provided by law. Section 328L-3, HRS, provides that whenever general fund revenues for each of two successive fiscal years exceeds revenues for each of the preceding fiscal years by 5%, 5% of the general fund balance shall be deposited into the EBRF.

For Fiscal Years (FY) 14 and 15, general fund balances were greater than 5% of general fund revenues. FY 14 general fund revenues were less than 5% of the previous year's revenues and FY 15 general fund revenues were greater than 5% of the previous year's revenues. Accordingly, the 2016 Legislature must provide a tax refund or tax credit but is not required to make a deposit into the EBRF.

For the Committee's information, the Administration has set aside in the general fund financial plan two appropriations totaling \$110 million to be deposited into the EBRF. Senate Bill (S.B.) No. 2846 makes a \$100 million general fund appropriation to further capitalize the EBRF to better ensure the State's fiscal stability during future economic downturns. S.B. No. 2844 proposes to make a \$10 million general fund appropriation to be deposited to the EBRF to comply with the constitutional requirement to provide a tax refund or credit or make a deposit into a reserve fund because the State general fund balances at the end of FYs 13 and 14 exceeded 5% of the State general fund revenues for those fiscal years. However, it is noted that the intended deposit to the EBRF in FY 15 was not effectuated due to a processing error. The purpose of S.B. No. 2844 is to re-appropriate \$10 million in general funds to comply with Article VII, Section 6 of the Hawaii Constitution for the FY 15 period.