

H.B. NO. 1154

A BILL FOR AN ACT

RELATING TO CENTRAL SERVICES ASSESSMENT.

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

1 SECTION 1. Section 36-28, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§36-28 Transfers from state highway fund for central**
4 **service expenses.** (a) Except as hereinafter provided, and
5 notwithstanding any other law to the contrary, there shall be
6 deducted from time to time by the director of finance, for the
7 purpose of defraying the prorated estimate of central service
8 expenses of government in relation to the state highway fund
9 created by section 248-8, five per cent of all receipts and
10 deposits in the fund, after deducting therefrom any amounts
11 pledged, charged, or encumbered for the payment of bonds or
12 interest thereon during the current year, from which receipts or
13 deposits no deduction of five per cent has been previously made,
14 [which] or \$5,000,000, whichever is less.

15 (b) Beginning September 30, 2025, and every year
16 thereafter, the director of transportation shall propose to the
17 governor an adjustment to the amount transferred from the state
18 highway fund by calculating a percentage based on the Consumer

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1 Price Index for All Urban Consumers in the Honolulu area, or a
2 successor index, for the twelve months prior to September 1 of
3 each year, less food and energy, as calculated by the United
4 States Bureau of Labor Statistics; provided that, if in any year
5 the percentage adjustment based on the Urban Honolulu Consumer
6 Price Index, or a successor index, would result in negative
7 percentage, the governor can approve a zero per cent adjustment
8 or no adjustment. Upon governor's approval of the percentage
9 adjustment, the director of finance shall apply the percentage
10 adjustment to the amount deducted from the state highway fund
11 and deduct any additional amounts.

12 (c) The deductions shall be transferred to the general
13 fund of the State and become general realizations of the State.
14 The state department of transportation shall cooperate with the
15 director of finance in effecting these transfers."

16 SECTION 2. Section 36-28.5, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "[+] §36-28.5 [+] **Transfer from airport revenue fund.** (a)
19 Any law to the contrary notwithstanding, there shall be deducted
20 from time to time by the director of finance for the purpose of
21 defraying the prorated estimate of central service expenses of
22 government in relation to the airport revenue fund five per cent

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1 of all receipts and deposits in the airport revenue fund after
2 deducting therefrom any amounts pledged, charged, or encumbered
3 for the payment of bonds or interest thereon during the current
4 year, from which receipts or deposits no deduction of five per
5 cent has previously been made[-], or \$5,000,000, whichever is
6 less.

7 (b) Beginning September 30, 2025, and every year
8 thereafter, the director of transportation shall propose to the
9 governor an adjustment to the amount transferred from the
10 airport revenue fund by calculating a percentage based on the
11 Consumer Price Index for All Urban Consumers in the Honolulu
12 area, or a successor index, for the twelve months prior to
13 September 1 of each year, less food and energy, as calculated by
14 the United States Bureau of Labor Statistics; provided that, if
15 in any year the percentage adjustment based on the Urban
16 Honolulu Consumer Price Index, or a successor index, would
17 result in negative percentage, the governor can approve a zero
18 per cent adjustment or no adjustment. Upon the governor's
19 approval of the percentage adjustment, the director of finance
20 shall apply the percentage adjustment to the amount deducted
21 from the airport revenue fund and deduct any additional amounts.

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1 (c) The deductions shall be transferred to the general
2 fund of the State and become general realizations of the State.

3 (d) For the purpose of this section, the term "any amounts
4 pledged, charged, or encumbered for the payment of bonds or
5 interest thereon during the current year" shall include:

6 (1) Amounts [~~which~~] that are so pledged, charged, or
7 encumbered;

8 (2) Amounts otherwise required to be applied to the
9 payment of principal of and interest on revenue bonds
10 or other revenue obligations; and

11 (3) Amounts required by law to be paid from the airport
12 revenue fund into the general fund of the State to
13 reimburse the general fund for bond requirements for
14 general obligation bonds issued for airport purposes.

15 (e) The director of transportation shall cooperate with
16 the director of finance in effecting the transfer."

17 SECTION 3. Section 36-29, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "§36-29 Transfer from harbor special fund. (a) Any other
20 law to the contrary notwithstanding, there shall be deducted
21 from time to time by the director of finance for the purpose of
22 defraying the prorated estimate of central service expenses of

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1 government in relation to the harbor special fund five per cent
2 of all receipts and deposits in the harbor special fund after
3 deducting therefrom any amounts pledged, charged, or encumbered
4 for the payment of bonds or interest thereon during the current
5 year, from which receipts or deposits no deduction of five per
6 cent has previously been made[-], or \$5,000,000, whichever is
7 less.

8 (b) Beginning September 30, 2025, and every year
9 thereafter, the director of transportation shall propose to the
10 governor an adjustment to the amount transferred from the harbor
11 special fund by calculating a percentage based on the Consumer
12 Price Index for All Urban Consumers in the Honolulu area, or a
13 successor index, for the twelve months prior to September 1 of
14 each year, less food and energy, as calculated by the United
15 States Bureau of Labor Statistics; provided that, if in any year
16 the percentage adjustment based on the Urban Honolulu Consumer
17 Price Index, or a successor index, would result in negative
18 percentage, the governor can approve a zero per cent adjustment
19 or no adjustment. Upon the governor's approval of the
20 percentage adjustment, the director of finance shall apply the
21 percentage adjustment to the amount deducted from the harbor
22 special fund and deduct any additional amounts.

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1 (c) The deductions shall be transferred to the general
2 fund of the State and become general realizations of the State.

3 (d) For the purposes of this section, the term "any amount
4 pledged, charged, or encumbered for the payment of bonds or
5 interest thereon during the current year" shall include:

6 (1) Amounts [~~which~~] that are so pledged, charged, or
7 encumbered;

8 (2) Amounts otherwise required to be applied to the
9 payment of principal of and interest on revenue bonds
10 or other revenue obligations;

11 (3) Amounts required to be paid into a separate special
12 fund for the payment of principal of and interest on
13 revenue bonds or other revenue obligations payable
14 from the second separate special fund; and

15 (4) Amounts required by law to be paid from the harbor
16 special fund into the general fund of the State to
17 reimburse the general fund for bond requirements for
18 general obligation bonds issued for harbor purposes.

19 (e) The second separate special fund maintained by
20 deposits from the harbor special fund shall not be deemed to be
21 a special fund within the meaning of section 36-27 or section
22 36-30.

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1 (f) The director of transportation shall cooperate with
2 the director of finance in effecting the transfer."

3 SECTION 4. If any portion of this Act or its application
4 to any person, entity, or circumstance is held to be invalid for
5 any reason, then the legislature declares that the remainder of
6 the Act and each and every other provision thereof shall not be
7 affected thereby.

8 SECTION 5. If manifest clerical, typographical, or other
9 mechanical errors are found in this Act, the governor may
10 correct such errors.

11 SECTION 6. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 7. This Act, upon its approval, shall take effect
14 on July 1, 2025.

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INTRODUCED BY:

Nishi K. Puh

17

BY REQUEST

JAN 21 2025

H.B. NO. 1154

Report Title:

Central Service Expenses; Transfers; Central Services Assessment; Central Service Expenses of Government; State Highway Fund; Airport Revenue Fund; Harbor Special Fund

Description:

Amends the transfer of funds for central service expenses from the State Highway Fund, Airport Revenue Fund, and Harbor Special Fund by: (1) limiting the deduction to five per cent of all receipts and deposits in the fund, or \$5,000,000, whichever is less, and (2) creating a process to deduct additional amounts based on the Consumer Price Index.

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

JUSTIFICATION SHEET

DEPARTMENT: TRANSPORTATION

TITLE: A BILL FOR AN ACT RELATING TO CENTRAL SERVICES ASSESSMENT.

PURPOSE: To amend the way deductions from the State Highway Fund, Airport Revenue Fund, and Harbor Special Fund for central service expenses are calculated.

MEANS: Amend sections 36-28, 36-28.5, and 36-29, Hawaii Revised Statutes.

JUSTIFICATION: This bill provides a set amount to be deducted from the State Highway Fund, Airport Revenue Fund, and Harbor Special Fund for central service expenses and a process to deduct additional amounts based on the Consumer Price Index (CPI). Currently a set percentage is deducted from each fund, but there is no way to know in advance how much will be available to pay for central service expenses. This bill provides certainty by setting an amount that will be deducted from each special fund. This bill also addresses increases in the cost of government services due to inflation by allowing for additional deductions from each fund based on the CPI.

Impact on the public: This bill increases transparency because the set amount deducted from the State Highway Fund, Airport Revenue Fund, and Harbor Special Fund will be set statutorily. This bill provides a process based on a publicly published index, the CPI, for any additional deductions from these funds.

Impact on the department and other agencies: This bill provides greater certainty because there will be a set amount deducted every year. The Department of Budget and Finance and the Department of Transportation can generally project any adjustments based on

publicly published CPI data. This increases the Departments' ability to plan further in advance based on the funds that will be available. Additional deductions based on CPI will automatically provide departments with additional funds if expenses are increasing due to inflation.

GENERAL FUND: Possible changes to the amounts transferred from the State Highway Fund, Airport Revenue Fund, and Harbor Special Fund to the general fund.

OTHER FUNDS: Possible changes to the amounts transferred from the State Highway Fund, Airport Revenue Fund, and Harbor Special Fund.

PPBS PROGRAM
DESIGNATION: TRN 995.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: July 1, 2025.