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S.B. NO. 2795-80

A Bill for an Act Relating to the Budgetary Process.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The purpose of this Act is to implement the provisions of the constitutional amendments enacted by the 1978 Constitutional Convention which require that the legislature establish a general fund expenditure ceiling which shall limit the rate of growth of general fund appropriations to the estimated rate of growth of the State's economy. These constitutional amendments were overwhelmingly ratified by the electorate in the 1978 general elections and the public thereby expressed its mandate that limits be placed on government spending.

More than a year has elapsed since the constitutional provisions were ratified and it is therefore incumbent upon the legislature to enact legislation which would establish the expenditure ceiling in this session.

This Act would establish the general fund appropriations made by the legislature for the fiscal year 1978-79, the fiscal year during which the constitutional amendments were ratified, as the base appropriation amount. Thus, it would be from this amount that the expenditure ceiling for future years shall be calculated.

The expenditure ceiling proposed by this Act will require that the legislature exercise prudence in making appropriations from the general fund and will require that the legislature be accountable to the public for any appropriations authorized which would be in excess of the expenditure ceiling. Furthermore, this Act would impose a similar requirement upon the governor and the chief justice, by requiring them to disclose and explain any proposed expenditures for their respective branch of government which would be in excess of a similar general fund appropriation ceiling.

SECTION 2. Chapter 37, Hawaii Revised Statutes, is amended by adding a new part to be appropriately designated and to read as follows:

“PART . GENERAL FUND EXPENDITURE CEILING

Sec. 37- Definitions. As used in sections 37- to 37- :

- (1) “State growth” means the estimated rate of growth of the State's economy and shall be established by averaging the annual percentage change in total state personal income for the three calendar years immediately preceding

the session of the legislature making appropriations from the state general fund.

- (2) "Total state personal income" means the total state personal income as defined by the state personal income series published by the United States Department of Commerce, Social and Economic Statistics Administration, Bureau of Economic Analysis, or its successor, for each year for which such income has been determined and published; for any year for which such income has not been determined or published, it shall mean the total state personal income for such year as estimated by the council on revenues.
- (3) "General fund" means the fund used to account for all transactions which are not accounted for in another fund, but excluding federal funds received by that fund.
- (4) "Expenditure ceiling" means the maximum general fund appropriations allowed in any year. The expenditure ceiling shall be determined by considering the fiscal year 1978-79 general fund appropriations as the expenditure ceiling. The expenditure ceiling for succeeding fiscal years shall be computed by adjusting the immediate prior fiscal year expenditure ceiling by the applicable state growth.

Sec. 37- Proposed general fund appropriations; executive branch; judicial branch. (a) The governor shall submit a plan of proposed appropriations for the State to the legislature which shall accompany the state budget in odd-numbered years and the supplemental budget in even-numbered years. The plan of proposed appropriations shall include the executive budget, proposed grants to private entities, and any specific appropriation measures to be proposed by the executive branch and estimates of the aggregate proposed appropriations of the judicial and legislative branches of government. In any year in which the plan of proposed appropriations from the general fund exceeds the expenditure ceiling, the governor shall set forth the dollar amount, the rate by which the expenditure ceiling would be exceeded, and the reasons for proposing appropriations in excess of those allowed under the expenditure ceiling.

(b) The proposed appropriations from the general fund for each year of the biennium or each supplementary budget fiscal year for the executive and judicial branches shall not be increased over the appropriations from the general fund for the preceding fiscal year for each branch, respectively, by more than the state growth, except as provided in this section. For purposes of this subsection, the appropriations from the general fund for the executive and judicial branches shall not include any appropriations representing amounts authorized by the legislature under section 37-

(b).

(c) The governor shall submit a plan of proposed appropriations for the executive branch to the legislature which shall accompany the state budget in odd-numbered years and the supplemental budget in even-numbered years. The plan of proposed appropriations shall include the executive budget, proposed grants to private entities, and any specific appropriation measures to be proposed by the executive branch.

(d) The budget documents presented by the governor to the legislature shall

include a statement or summary showing (1) the total state personal income for each of the four calendar years immediately preceding the session of the legislature making appropriations from the state general fund, (2) the appropriations from the general fund for the previous fiscal year, (3) the appropriations from the general fund for the fiscal year in progress, and (4) the general fund expenditure ceiling for the ensuing fiscal year and for the fiscal year in progress.

(e) The governor shall also include a statement or summary showing (1) recommended appropriations from the general fund for the executive branch for the ensuing fiscal year, (2) actual appropriations from the general fund for the executive branch plus any recommended appropriations from the general fund for the executive branch for the fiscal year in progress, (3) the appropriations from the general fund for the executive branch for the previous fiscal year, and (4) the general fund appropriation ceiling for the executive branch as established by subsection (b) for the ensuing fiscal year and for the fiscal year in progress.

(f) The chief justice shall submit a plan of proposed appropriations of the judicial branch to the legislature which shall accompany the judiciary biennial budget in odd-numbered years and the supplemental budget in even-numbered years. The plan of proposed appropriations shall include the judiciary budget, proposed grants to private entities, and any specific appropriation measures to be proposed by the judicial branch.

(g) The budget documents presented by the chief justice to the legislature shall include a statement or summary showing (1) recommended appropriations from the general fund for the judicial branch for the ensuing fiscal year, (2) actual appropriations from the general fund for the judicial branch plus any recommended appropriations from the general fund for the judicial branch for the fiscal year in progress, (3) the appropriations from the general fund for the judicial branch for the previous fiscal year, and (4) the general fund appropriation ceiling for the judicial branch as established by subsection (b) for the ensuing fiscal year and for the fiscal year in progress.

(h) The governor or the chief justice may propose appropriations from the general fund for the executive or judicial branches, respectively, in excess of those allowed by subsection (b) if the governor or the chief justice sets forth the dollar amount and the percentage change in excess of the appropriations allowed by subsection (b), and the reasons for proposing appropriations in excess of those allowed by subsection (b).

Sec. 37- Legislature. (a) The legislature shall not make appropriations from the general fund for each fiscal year of the biennium or each supplementary budget fiscal year which will exceed the expenditure ceiling for that fiscal year.

(b) The legislature may make appropriations from the general fund in excess of those allowed by subsection (a) by:

- (1) A two-thirds vote of the members to which each house of the legislature is entitled;
- (2) Setting forth the dollar amount and the rate by which the appropriations allowed by the change in the state growth will be exceeded; and
- (3) Setting forth the reasons for exceeding the appropriations allowed by the percentage change in the state growth;

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in each act which will cause appropriations from the state general fund to exceed those allowed by the change in state growth.

Sec. 37- Director of finance; duties. A preliminary estimate of the state growth and expenditure ceiling shall be determined by the director of finance as of August 1 of each year. The final estimate of the state growth and expenditure ceiling to be used by the legislature to make appropriations from the general fund in each year shall be determined by the director of finance as of November 1 of each year. Upon the determination of both the preliminary estimate and the final estimate of the state growth and expenditure ceiling, the director shall inform the governor, chief justice and the legislature and shall give public notice of such state growth and expenditure ceiling and the maximum dollar amount that may be appropriated from the general fund by publication twice in successive weeks in a newspaper of general circulation in the State.”

SECTION 3. Chapter 37, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

“Sec. 37- Council on revenues; estimate of total personal income. The council on revenues shall prepare an estimate of the total state personal income for the calendar year in progress and shall report the estimate and any revision thereto to the director of finance, the governor, the chief justice, and the legislature each July 15 and October 15.”

SECTION 4. The Legislative Auditor is hereby directed to study and analyze alternative indicators of the rate of growth of the State’s economy and the appropriateness of the use of each as a basis for estimating the rate of growth of the state economy and the establishment of a general fund expenditure ceiling as required by Article VII, Section 9 of the State Constitution.

SECTION 5. This Act shall take effect on July 1, 1980 and shall be repealed as of June 30, 1984.*

(Approved June 16, 1980.)

*The text has been edited pursuant to HRS §23G-16.5, authorizing omission of the brackets, bracketed material, and underscoring.