

JAN 25 2010

A BILL FOR AN ACT

PROPOSING AMENDMENTS TO THE CONSTITUTION OF THE STATE OF HAWAII
RELATING TO THE STATE FISCAL STABILIZATION FUND.

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

1 SECTION 1. The purpose of this Act is to establish the
2 state fiscal stabilization fund and require revenues to be
3 deposited into the fund as a means of providing the State with a
4 financial reserve fund.

5 SECTION 2. Article VII of the Constitution of the State of
6 Hawaii is amended by adding a new section to read as follows:

7 "STATE FISCAL STABILIZATION FUND

8 Section . There is established in the state treasury the
9 state fiscal stabilization fund, into which shall be deposited
10 revenue sources previously deposited into the emergency and
11 budget reserve fund, and five per cent of the state general fund
12 balance at the close of the fiscal year whenever state general
13 fund revenues for each of two successive fiscal years exceeds
14 revenues for each of the preceding fiscal years by five per
15 cent; provided that whenever the balance of the state fiscal
16 stabilization fund is more than ten percent of general fund

1 revenues for the preceding fiscal year, no deposits shall be
2 made to the fund.

3 For the purposes of determining whether the legislature in
4 the next regular session shall provide for a tax refund or tax
5 credit to the taxpayers of the state, as provided under Article
6 VII, section 6 of the Constitution of the State of Hawaii, the
7 transfer into the state fiscal stabilization fund shall occur
8 first before calculating if the requirements of Article VII,
9 section 6 are met.

10 Moneys deposited into the state fiscal stabilization fund
11 shall be deposited into the fund by a transfer executed by the
12 director of finance.

13 Moneys in the state fiscal stabilization fund shall only be
14 used during times of severe economic downturn or unforeseen
15 reduction in revenues to cover current state fiscal obligations,
16 as provided by law. Any appropriations from the state fiscal
17 stabilization fund shall require a two-thirds majority vote of
18 each house of the legislature."

19 SECTION 3. The question to be printed on the ballot shall
20 be as follows:

21 "Shall the State Constitution be amended to establish the
22 State Fiscal Stabilization Fund and require state revenues to be

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1 saved in the fund to pay the financial obligations of the State
2 during fiscal emergencies?"

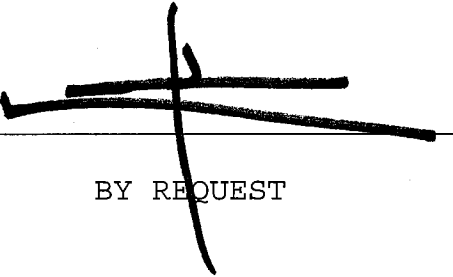
3 SECTION 4. New Constitutional material is underscored.

4 SECTION 5. This amendment shall take effect upon
5 compliance with article XVII, section 3, of the Constitution of
6 the State of Hawaii.

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INTRODUCED BY:



9

BY REQUEST

Report Title:

Constitutional Amendment; State Fiscal Stabilization Fund

Description:

Ensures funds are available for future fiscal emergencies by creating the State Fiscal Stabilization Fund in the Constitution and requiring five percent of general fund end of year balances to be deposited into it.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT PROPOSING AMENDMENTS TO THE CONSTITUTION OF THE STATE OF HAWAII RELATING TO THE STATE FISCAL STABILIZATION FUND.

PURPOSE: To ensure funds are available for future fiscal emergencies by creating the State Fiscal Stabilization Fund and requiring five percent of general fund end of year balances to be deposited into it.

MEANS: Add a new section to article VII of the Constitution of the State of Hawaii.

JUSTIFICATION: During periods of economic growth, tax collections may exceed spending needs resulting in a positive balance at the end of the fiscal year. However, when the economy is sluggish, tax revenues generally decline.

To build a financial reserve to lessen the negative impact of emergencies or economic downturns on the State budget, this constitutional amendment establishes the State Fiscal Stabilization Fund and requires five percent of general fund end of year balances to be deposited into the Fund. Deposits are made until such time as the fund equals ten percent of general fund revenues for the preceding fiscal year.

The Constitution authorizes the Director of Budget and Finance to transfer the required balances into the State Fiscal Stabilization Fund at the close of each fiscal year. This transfer shall take place prior to calculating whether the provisions of section 6 of article VII of the State Constitution are met governing tax refunds or tax credits to the taxpayers of the State.

Impact on the public: Ensures that the State can meet its financial obligations during periods of economic difficulty and lessens the need to increase taxes when the economy and community can least afford to pay more taxes.

Impact on the department and other agencies: Ensures that the State can meet its financial obligations during periods of economic difficulty.

GENERAL FUND: Transfers a portion of general fund surplus balance to a State fiscal stabilization fund.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: None.

OTHER AFFECTED AGENCIES: All agencies and branches of government.

EFFECTIVE DATE: Upon ratification.