

STAND. COM. REP. NO. 647

Honolulu, Hawaii

MAR 05 2015

RE: S.B. No. 1297
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 1297 entitled:

"A BILL FOR AN ACT RELATING TO DISPOSITION OF TAX REVENUES,"

begs leave to report as follows:

The purpose and intent of this measure is to place ceilings on the total amounts of cigarette tax revenues that are presently deposited into certain special funds.

Your Committee received testimony in opposition to this measure from the University of Hawaii, Friends of the Medical School, and three individuals. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that under the present tax structure, certain special funds receive a specified number of cents per cigarette with no limit to the total amount of tax revenue that may be received per fiscal year. Your Committee further finds that placing a cap on the amount of cigarette tax revenues received by these special funds will promote budgetary planning and transparency by:

- (1) Making forecasts of general fund revenues more reliable;
- (2) Increasing legislative oversight of the agencies and programs supported by those special funds; and



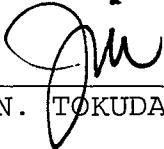
- (3) Increasing competition for limited public funds among agencies and programs seeking funds additional to those automatically distributed to their special funds.

Your Committee further finds that the practice of automatically earmarking funds that fluctuate over time to not be in the best interest of either the State or the recipient program. Without legislative involvement in the distribution of funds, determinations as to whether or not programs are receiving too little or too much resources are often not made in a timely manner. This has resulted in some programs requiring additional funds and other programs building up large reserves that could have been better utilized for other programs and services.

Your Committee has amended this measure by setting out the new tax structure as a new paragraph to the existing statutory section on the disposition of the cigarette tax revenues, rather than as amendments to the presently applicable paragraph of that section. This is consistent with recent legislative practice regarding this statute and preserves the record of cigarette taxation amounts and disposition.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1297, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1297, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

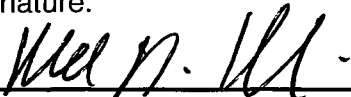


JILL N. TOKUDA, Chair



The Senate
Twenty-Eighth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 1297	Committee Referral: WAM	Date: 02-17-15		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
CHUN OAKLAND, Suzanne			✓	✓
DELA CRUZ, Donovan M.				✓
ENGLISH, J. Kalani	✓			
GALUTERIA, Brickwood	✓			
HARIMOTO, Breene	✓			
INOUYE, Lorraine R.	✓			
RIVIERE, Gil	✓			
RUDERMAN, Russell E.	✓			
SLOM, Sam	✓			
TOTAL	9	0	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">  </div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes