July 14, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker
and Members of the House
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

Re: SB 1297 SDI HDI CD1

SB 1297 SDI HDI CD1, entitled “A BILL FOR AN ACT RELATING TO DISPOSITION OF TAX REVENUES” will become law without my signature, pursuant to Section 16 of Article III of the State Constitution.

This measure modifies annual deposits from the cigarette tax into the Trauma System Special Fund, Community Health Centers Special Fund, Emergency Medical Services Special Fund, and the Hawai‘i Cancer Research Special Fund. However, by placing annual caps on deposits into these special funds – despite the fact that program costs will continue to increase – the practical effect of this bill is to constrain the flexibility of core public health services supporting statewide infrastructure for emergency medical services, injury prevention, and trauma.

For the Trauma System Special Fund, this reduction amounts to an approximately 17% cut in the program’s budget, which will impact statewide trauma system development and personnel costs.
For the foregoing reasons, SB 1297 SD1 HD1 CD1 will become law as ACT 238 (15), Session laws of Hawai'i 2015, effective July 14, 2015, without my signature.

Sincerely,

DAVID Y. IGE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO DISPOSITION OF TAX REVENUES.

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

SECTION 1. The purpose of this Act is to address taxes by setting maximum amounts to be distributed to various non-general funds pursuant to the cigarette tax and tobacco tax law. The tax revenues remaining after distribution shall continue to be deposited into the general fund.

By establishing maximum amounts for distribution, the legislature intends that this Act:

(1) Make forecasts of general fund revenues more reliable;
(2) Increase legislative oversight of the agencies and programs supported by the non-general funds; and
(3) Subject those agencies and programs to competition for limited public funds if the agencies or programs want more than the amount automatically distributed to their non-general funds.

The legislature finds that this Act promotes budgetary planning and transparency.

The legislature further finds that the transient accommodations tax revenues are distributed among the convention...
center, Hawaii tourism authority, and counties by dollar amounts. That distribution method serves as the model for this Act.

SECTION 2. Section 245-15, Hawaii Revised Statutes, is amended to read as follows:

"§245-15 Disposition of revenues. All moneys collected pursuant to this chapter shall be paid into the state treasury as state realizations to be kept and accounted for as provided by law; provided that, of the moneys collected under the tax imposed pursuant to:

(1) Section 245-3(a)(5), after September 30, 2006, and prior to October 1, 2007, 1.0 cent per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;

(2) Section 245-3(a)(6), after September 30, 2007, and prior to October 1, 2008:

(A) 1.5 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168,
for research and operating expenses and for

capital expenditures;

(B) 0.25 cents per cigarette shall be deposited to
the credit of the trauma system special fund
established pursuant to section 321-22.5; and

(C) 0.25 cents per cigarette shall be deposited to
the credit of the emergency medical services
special fund established pursuant to section 321-234;

(3) Section 245-3(a)(7), after September 30, 2008, and

prior to July 1, 2009:

(A) 2.0 cents per cigarette shall be deposited to the
credit of the Hawaii cancer research special
fund, established pursuant to section 304A-2168,
for research and operating expenses and for
capital expenditures;

(B) 0.5 cents per cigarette shall be deposited to the
credit of the trauma system special fund
established pursuant to section 321-22.5;

(C) 0.25 cents per cigarette shall be deposited to
the credit of the community health centers
special fund established pursuant to section 321-1.65; and

(D) 0.25 cents per cigarette shall be deposited to the credit of the emergency medical services special fund established pursuant to section 321-234;

(4) Section 245-3(a)(8), after June 30, 2009, and prior to July 1, 2013:

(A) 2.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;

(B) 0.75 cents per cigarette shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

(C) 0.75 cents per cigarette shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65; and
(D) 0.5 cents per cigarette shall be deposited to the credit of the emergency medical services special fund established pursuant to section 321-234;

(and)

(5) Section 245-3(a)(11), after June 30, 2013, and thereafter prior to July 1, 2015:

(A) 2.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;

(B) 1.5 cents per cigarette shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

(C) 1.25 cents per cigarette shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65; and

(D) 1.25 cents per cigarette shall be deposited to the credit of the emergency medical services
special fund established pursuant to section 321-234; and

(6) Section 245-3(a)(11), after June 30, 2015, and thereafter:

(A) 2.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;

(B) 1.125 cents per cigarette, but not more than $7,400,000 in a fiscal year, shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

(C) 1.25 cents per cigarette, but not more than $8,800,000 in a fiscal year, shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65; and

(D) 1.25 cents per cigarette, but not more than $8,800,000 in a fiscal year, shall be deposited to the credit of the emergency medical services
special fund established pursuant to section 321-
234.

The department shall provide an annual accounting of these
dispositions to the legislature."

SECTION 3. Section 321-22.5, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:
"(a) There is established within the state treasury a
special fund to be known as the trauma system special fund to be
administered and expended by the department of health. The fund
shall consist of:

(1) Surcharges collected pursuant to sections 291-15,
291C-2, and 291E-7;

(2) Cigarette tax revenues designated under section 245-
15;

(3) Federal funds granted by Congress or executive order
for the purpose of this chapter; provided that the
acceptance and use of federal funds shall not commit
state funds for services and shall not place an
obligation upon the legislature to continue the
purpose for which the federal funds are made
available;
(4) Funds appropriated by the legislature for this purpose, including grants-in-aid;

(5) Grants, donations, and contributions from private or public sources for the purposes of the trauma system special fund; and

(6) Interest on and other income from the fund, which shall be separately accounted for.

[Moneys in the trauma system special fund shall not lapse at the end of the fiscal year.] The unexpended and unencumbered moneys in the fund in excess of $7,400,000 on June 30 of each fiscal year shall be transferred by the director of finance into and become a realization of the general fund on that date.

Expenditures from the trauma system special fund shall be exempt from chapters 103D and 103F."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2015.