

STAND. COM. REP. NO. **560**

Honolulu, Hawaii

**MAR 05 2015**

RE: S.B. No. 1312  
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. 1312 entitled:

"A BILL FOR AN ACT RELATING TO STATE FUNDS,"

begs leave to report as follows:

The purpose and intent of this measure is to address state funds.

Specifically, this measure provides for a deposit of general revenues into the emergency and budget reserve fund to comply with the constitutional mandate to provide a tax refund or credit or make such a deposit.

Your Committee received comments on this measure from the Department of the Attorney General and the Department of Budget and Finance.

Your Committee finds that when certain economic conditions are met, article VII, section 6, of the Hawaii Constitution requires the Legislature to provide a tax refund or tax credit to state taxpayers or make a deposit into one or more funds, as provided by law, to serve as a reserve for the State. Specifically, this requirement is triggered when the state general fund balances at the end of two successive fiscal years exceed five percent of the state general revenues for those fiscal years. Your Committee also finds that, at the end of fiscal years 2012-2013 and 2013-2014, these conditions were met.

SB1312 SD1 SSCR LRB 15-1263.doc



Your Committee believes that it is preferable to make a deposit into the emergency and budget reserve fund instead of providing a tax refund or credit. By increasing the reserve fund, the State will be better able to address possible emergencies and contingencies that may occur in the future when state revenues slow down. However, pursuant to section 328L-3(a)(3), Hawaii Revised Statutes (HRS), general funds may only be deposited into the emergency budget and reserve fund when state general fund revenues for each of two successive fiscal years exceeds revenues for each of the preceding fiscal years by five percent. While the general fund revenues for fiscal year 2012-2013 exceeded the previous year's revenues by more than five percent, the general fund revenues for fiscal year 2013-2014 did not exceed the revenues for fiscal year 2012-2013 by more than five percent. Therefore, although the conditions specified in article VII, section 6, of the Hawaii Constitution have been met, the statutory requirements for a deposit of general funds into the emergency budget and reserve fund have not.

Nevertheless, your Committee finds that compliance with article VII, section 6, of the Hawaii Constitution may still be achieved via a deposit, rather than a tax credit or tax refund, through the enactment of a session law that would have the effect of amending section 328L-3(a)(3), HRS, only for fiscal year 2014-2015.

Accordingly, your Committee has amended this measure by:

- (1) Providing that, notwithstanding any law to the contrary, including section 328L-3(a)(3), HRS, the total sum of the tax credit or tax refund otherwise mandated by article VII, section 6, of the Hawaii Constitution shall be transferred to the emergency and budget reserve fund; and
- (2) Making technical, nonsubstantive amendments for the purposes of consistency, clarity, and style.

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. 1312, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1312, 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,



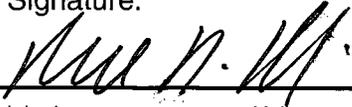
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JILL N. TOKUDA, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

|  |                                   |                         |          |                |
|--|-----------------------------------|-------------------------|----------|----------------|
| Bill / Resolution No.:*<br><b>SB1312</b>   | Committee Referral:<br><b>WAM</b> | Date:<br><b>2/10/15</b> |          |                |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____  |                                   |                         |          |                |
| The Recommendation is:<br><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.  |                                   |                         |          | <del>✓</del> ✓ |
| ENGLISH, J. Kalani   | ✓                                 |                         |          | <del>✓</del> ✓ |
| GALUTERIA, Brickwood   |                                   |                         |          | <del>✓</del> ✓ |
| HARIMOTO, Breene   | ✓                                 |                         |          |                |
| INOUYE, Lorraine R.  | ✓                                 |                         |          |                |
| RIVIERE, Gil   | ✓                                 |                         |          |                |
| RUDERMAN, Russell E.   | ✓                                 |                         |          |                |
| SLOM, Sam  | ✓                                 |                         |          |                |
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|  |                                   |                         |          |                |
| <b>TOTAL</b>   | <b>9</b>                          | <b>0</b>                | <b>0</b> | <b>2</b>       |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted   |                                   |                         |          |                |
| Chair's or Designee's Signature:<br>  |                                   |                         |          |                |
| <b>Distribution:</b> Original     Yellow     Pink     Goldenrod<br>File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy   |                                   |                         |          |                |

\*Only one measure per Record of Votes