

JAN 27 2016

A BILL FOR AN ACT

MAKING APPROPRIATIONS TO REPAY GENERAL FUND CASH ADVANCES.

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

1 SECTION 1. For many years, the general fund financial plan
2 has reflected repayments for an \$89,900,000 cash advance to
3 purchase the former Kapalama Military Reservation and a
4 \$13,300,000 cash advance for the Hawaii health systems
5 corporation.

6 Act 73, Session Laws of Hawaii 1989, authorized \$90,000,000
7 in general obligation bond funds to purchase approximately 67
8 acres of the former Kapalama Military Reservation. Due to
9 private activity restrictions on the use of tax-exempt general
10 obligation bond funds, general fund cash advances of \$57,000,000
11 and \$33,000,000 totaling \$90,000,000 were made to the capital
12 projects fund in order to finance the land purchase. As of
13 June 30, 2015, the amount owed to the general fund is
14 \$89,900,000.

15 In fiscal year 2002-2003, general fund cash advances
16 totaling \$13,300,000 were made to the Hawaii health systems
17 corporation in order for the corporation to fund its employer
18 contributions to the employees' retirement system and to the
19 health fund. During the regular session of 2003, an emergency

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1 appropriation was sought to repay the general fund cash
2 advances. However, the measure did not advance from conference
3 committee. As of June 30, 2015, the amount owed to the general
4 fund is \$13,300,000:

5 The State recognizes that these amounts owed totaling
6 \$103,200,000 will not be repaid to the general fund.
7 Consequently, the assets and liabilities of the general fund are
8 overstated by \$103,200,000 each. The purpose of this Act is to
9 appropriate general funds to formally "write off" the general
10 fund cash advances for the purchase of the Kapalama Military
11 Reservation and for the Hawaii health systems corporation. The
12 effect of this Act will be that general fund balances will be
13 more accurately reflected in the future and better represent
14 actual resources available to finance State programs. In
15 addition, this Act will reduce the liabilities of the capital
16 projects fund to more accurately reflect the State's outstanding
17 debt.

18 SECTION 2. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$89,900,000 or so
20 much thereof as may be necessary for fiscal year 2016-2017 for
21 the purpose of repaying general fund cash advances to the
22 capital projects fund for the purchase of lands of the former
23 Kapalama Military Reservation. The sum appropriated shall be
24 expended by the department of budget and finance for the
25 purposes of this Act.

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1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$13,300,000 or so
3 much thereof as may be necessary for fiscal year 2016-2017 for
4 the purpose of repaying general fund cash advances to the Hawaii
5 health systems corporation for its employer contributions to the
6 employees' retirement system and to the health fund. The sum
7 appropriated shall be expended by the department of budget and
8 finance for the purposes of this Act.

9 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: 

BY REQUEST

S.B. NO. 2845

Report Title:

Appropriations; repay general fund cash advances; Kapalama Military Reservation; Hawaii Health Systems Corporation

Description:

Makes general fund appropriations for fiscal year 2016-2017 to repay prior general fund cash advances of \$89,900,000 for the purchase of lands of the former Kapalama Military Reservation and of \$13,300,000 for the Hawaii Health Systems Corporation.

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JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT MAKING APPROPRIATIONS TO REPAY GENERAL FUND CASH ADVANCES.

PURPOSE: To make appropriations for fiscal year 2016-2017 to repay general fund cash advances for the purchase of the Kapalama Military Reservation and for the Hawaii Health Systems Corporation (HHSC).

MEANS: Appropriate general funds.

JUSTIFICATION: For many years, the general fund financial plan has reflected repayments for an \$89,900,000 cash advance for the purchase of the lands of the former Kapalama Military Reservation and for a \$13,300,000 cash advance for the HHSC.

Act 73, SLH 1989, authorized \$90,000,000 in general obligation bond funds for the purchase of approximately 67 acres of the former Kapalama Military Reservation. Due to private activity restrictions on the use of tax-exempt general obligation bond funds, general fund cash advances of \$57,000,000 and \$33,000,000 totaling \$90,000,000 were made to the Capital Projects Fund in order to finance the land purchase. As of June 30, 2015, the amount owed to the general fund is \$89,900,000.

In fiscal year 2002-2003, general fund cash advances totaling \$13,300,000 were made to the HHSC in order for HHSC to fund its employer contributions to the employees' retirement system and to the health fund. During the 2003 Legislature, an emergency appropriation was introduced for HHSC relating to funding the contributions. However, the measure did not advance from conference committee. As of June 30, 2015,

the amount owed to the general fund is \$13,300,000.

The State recognizes that these amounts owed totaling \$103,200,000 will not be repaid to the general fund. Consequently, the assets and liabilities of the general fund are overstated by \$103,200,000 each. The effect of the measure would be to clear the State's Balance Sheet of the \$89,900,000 owed by the Capital Projects Fund to the general fund and to clear the State's Statement of Net Position of \$13,300,000 due from HHSC to the general fund. This will reduce both the assets and liabilities of the general fund and will more accurately reflect general fund balances in the future. In addition, the measure will reduce the liabilities of the Capital Projects Fund to more accurately reflect the State's outstanding debt.

The general fund appropriation included in this measure has been made in accordance with the statutorily defined appropriation ceiling for the Executive Branch pursuant to section 37-92, Hawaii Revised Statutes. Including appropriations made up to and including the regular session of 2015, the Executive Branch appropriation ceiling for fiscal year 2016-2017 has already been exceeded by \$14,892,787 or 0.2 percent. Funding requested in this measure to repay the general fund cash advances will result in the appropriation ceiling for the Executive Branch to now be exceeded in fiscal year 2016-2017 by an additional \$103,200,000 or 1.49 percent. This current declaration takes into account additional general fund appropriations authorized for fiscal year 2016-2017 in this measure only, and does not include other general fund appropriations for fiscal year 2016-2017 that may be authorized for the Executive Branch in other legislation submitted to the Legislature during the regular session of 2016.

Impact on the public: A more accurate general fund balance will ensure that the summaries of the State's financial condition will better reflect actual resources available to finance State programs.

Impact on the department and other agencies: The general fund appropriations will be made to the Department of Budget and Finance.

GENERAL FUND: \$103,200,000 in fiscal year 2016-2017.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BUF 101.

OTHER AFFECTED
AGENCIES: Hawaii Health Systems Corporation.

EFFECTIVE DATE: Upon approval.