

JAN 27 2016

A BILL FOR AN ACT

MAKING AN APPROPRIATION TO THE EMERGENCY AND BUDGET RESERVE
FUND.

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

1 SECTION 1. The State is emerging from one of the most
2 challenging economic periods in its history. During the last
3 several years, extreme measures had to be taken to keep the
4 state solvent, including: furloughs; temporary salary
5 reductions; reductions-in-force; forced downsizing of programs
6 and services; purchasing and hiring freezes; and enactment of
7 temporary revenue enhancements. One of the clear lessons
8 learned from this experience is the necessity of having
9 sufficient fiscal reserves to help carry the state through the
10 worst conditions. Although the Great Recession officially ended
11 in 2009, the State is just beginning to experience the positive
12 effects of economic recovery. Now that the economy is
13 rebounding and more revenues are available, a concerted effort
14 must be made to further capitalize the State's depleted fiscal
15 reserves as expeditiously as possible.

16 To this end, several measures have been enacted to
17 accelerate replenishment. Act 124, Session Laws of Hawaii 2011,
18 which temporarily diverted tobacco settlement moneys from the
19 emergency and budget reserve fund to the general fund in fiscal

S.B. NO. 2846

1 years 2011-2012 and 2012-2013, sunsets and transfers from the
2 tobacco settlement into the emergency and budget reserve fund
3 will resume starting in fiscal year 2013-2014. Act 267, Session
4 Laws of Hawaii 2013, appropriated an additional \$50,000,000 in
5 fiscal year 2013-2014 to the emergency and budget reserve fund.

6 As is fiscally prudent, this Act proposes to further
7 capitalize the fiscal reserves by transferring an additional
8 \$100,000,000 to the emergency and budget reserve fund in fiscal
9 year 2016-2017. This will bring the projected fiscal
10 year 2016-2017 balance of the emergency and budget reserve fund
11 up to \$215,900,000 (including the re-appropriation of Act 202,
12 Session Laws of Hawaii 2015, appropriation) providing a total of
13 over \$398,300,000 in fiscal reserves for both the emergency and
14 budget reserve fund and the Hawaii hurricane relief fund, which
15 is 5.53 per cent of general fund revenues.

16 The purpose of this Act is to appropriate general funds to
17 the emergency and budget reserve fund to help ensure the State's
18 fiscal stability in future economic downturns. As the State
19 continues its economic recovery, accelerated capitalization of
20 these fiscal reserve funds is prudent and fiscally sound.

21 SECTION 2. There is appropriated out of the general
22 revenues of the State of Hawaii the sum of \$100,000,000 or so
23 much thereof as may be necessary for fiscal year 2016-2017 for
24 the purpose to further capitalize the emergency and budget

S.B. NO. 2046

1 reserve fund. The sums appropriated shall be expended by the
2 department of budget and finance for the purposes of this Act.

3 SECTION 3. This Act shall take effect upon its approval.

4

5

INTRODUCED BY: AMM D. M.

6

BY REQUEST

S.B. NO. 2846

Report Title:

Appropriation; Emergency and Budget Reserve Fund

Description:

Makes a general fund appropriation of \$100,000,000 for fiscal year 2016-2017 to further capitalize the Emergency and Budget Reserve Fund.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT MAKING AN APPROPRIATION TO THE EMERGENCY AND BUDGET RESERVE FUND.

PURPOSE: To make an appropriation for fiscal year 2016-2017 to further capitalize the Emergency and Budget Reserve Fund.

MEANS: Appropriate general funds.

JUSTIFICATION: The State is emerging from one of the most challenging economic periods in its history. One of the clear lessons learned from this experience is the necessity of having sufficient fiscal reserves to help carry the state through the worst conditions. Although the Great Recession officially ended in 2009, the State is just beginning to experience the positive effects of economic recovery. Now that the economy is rebounding and more revenues are available, a concerted effort must be made to further capitalize the State's depleted fiscal reserves as expeditiously as possible.

Act 124, Session Laws of Hawaii 2011, which temporarily diverted tobacco settlement moneys from the Emergency and Budget Reserve Fund to the general fund in fiscal years 2011-2012 and 2012-2013, sunsets and transfers from the tobacco settlement into the Emergency and Budget Reserve Fund will resume starting in fiscal year 2013-2014. Act 267, Session Laws of Hawaii 2013, appropriated \$50,000,000 in fiscal year 2013-2014 to the Emergency and Budget Reserve Fund.

As is fiscally prudent, this Act proposes to further accelerate the capitalization of fiscal reserves by transferring an additional \$100,000,000 to the Emergency and Budget Reserve Fund in fiscal

year 2016-2017. This will bring the projected fiscal year 2016-2017 balance of the Emergency and Budget Reserve Fund up to \$215,900,000 (including the re-appropriation of Act 202, Session Laws of Hawaii 2015, appropriation), providing a total of over \$398,300,000 in fiscal reserves for both the Emergency and Budget Reserve Fund and the Hawaii Hurricane Relief Fund, which is 5.53 percent of general fund revenues.

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 provide additional capitalization of the Emergency and Budget Reserve Fund will result in the appropriation ceiling for the Executive Branch to now be exceeded in fiscal year 2016-2017 by an additional \$100,000,000 or 1.4 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: Further capitalization of the Emergency and Budget Reserve Fund will increase the State's fiscal reserves for times of unforeseen economic downturns and natural disasters.

Impact on the department and other agencies:
The general fund appropriation will be made to the department that administers the Emergency and Budget Reserve Fund (Department of Budget and Finance).

GENERAL FUND: \$100,000,000 in fiscal year 2016-2017.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BUF 101.

OTHER AFFECTED
AGENCIES: Not applicable.

EFFECTIVE DATE: Upon approval.