S.B. NO. 2554

JAN 2 2 2016

A BILL FOR AN ACT

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 6, OF THE HAWAII CONSTITUTION, RELATING TO THE DISPOSITION OF EXCESS REVENUES.

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

SECTION 1. The purpose of this Act is to propose an amendment to article VII, section 6, of the Hawaii Constitution to amend the requirement for excess general fund revenues to be returned to the taxpayers of the State or deposited into a reserve fund.

The proposed amendment provides additional alternatives for the disposition of excess general fund revenues by allowing for the appropriation of general funds to pre-pay either:

(1) General obligation bond debt service; or

(2) Pension or other post-employment benefit liabilities.

These alternatives will enable the legislature to make general fund appropriations for purposes that result in long-term savings to the taxpayer. The pre-payment of long-term debt or unfunded liabilities would represent the trade-off of immediate fulfillment in using excess cash for the long-term benefit of less fixed cost for future generations. Less fixed
cost would confer more flexibility with respect to state revenue expenditure decisions in the future. The legislature believes that the use of the alternatives may promote the public interest and should be available for future legislatures.

It is the legislature's intent that the alternatives not be self-executing. The legislature intends that the alternatives be available only after statutory provisions are enacted to establish the conditions that the pre-payment must comply with in order to comport with this constitutional amendment.

SECTION 2. Article VII, section 6, of the Constitution of the State of Hawaii is amended to read as follows:

"Section 6. Whenever the state general fund balance at the close of each of two successive fiscal years exceeds five percent of general fund revenues for each of the two fiscal years, the legislature in the next regular session shall [provide]:

(1) Provide for a tax refund or tax credit to the taxpayers of the State, [or make] as provided by law;

(2) Make a deposit into one or more funds, as provided by law, which shall serve as temporary supplemental sources of funding for the State in times of an
emergency, economic downturn, or unforeseen reduction
in revenue, as provided by law; or

(3) Appropriate general funds for the pre-payment of
either or both of the following, as provided by law:
(A) Debt service for general obligation bonds issued
    by the State; or
(B) Pension or other post-employment benefit
    liabilities accrued for state employees.

For the purpose of this paragraph, "pre-payment" means
a payment for a fiscal year in excess of the minimum
payment required for that fiscal year by bond covenant
or law."

SECTION 3. The question to be printed on the ballot shall
be as follows:

"Shall the legislature be provided, when the state general
fund balance at the close of each of two successive fiscal
years exceeds five per cent of the general fund revenues for
each of the two fiscal years, the additional alternatives of
appropriating general funds for the pre-payment of either or
both of the following:
(1) Debt service for general obligation bonds issued by the State; or

(2) Pension or other post-employment benefit liabilities accrued for state employees?"

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

SECTION 5. This amendment shall take effect upon compliance with article XVII, section 3, of the Constitution of the State of Hawaii.

INTRODUCED BY:

[Signatures]
Report Title:
Constitutional Amendment; Disposition of Excess General Fund Revenues

Description:
Proposes a constitutional amendment to add alternatives for the disposition of excess general fund revenues. Allows the appropriation of general funds for the pre-payment of general obligation bond debt service or pension or other post-employment benefit liabilities.

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