



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

GOV. MSG. NO. 1321

July 12, 2017

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

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

Re: HB471 HD1 SD1 CD1

HB471 HD1 SD1 CD1, entitled "A BILL FOR AN ACT RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND" will become law without my signature, pursuant to Section 16 of Article III of the State Constitution.

This bill prohibits the Legislature from appropriating from the Emergency and Budget Reserve Fund: 1) more than fifty percent of the balance of the fund in a single year; 2) to expend for discretionary costs in a fiscal year, an amount that exceeds ten percent of the total discretionary funds appropriated by the Legislature for the same fiscal year; and 3) for a succeeding fiscal year, unless the current fiscal year's tax collection is less than the collection for the previous fiscal year.

The purpose of the EBRF is to provide a temporary supplemental source of funds during emergencies, severe economic downturns, or unforeseen reduction in revenues. An adequate EBRF appropriation will better enable the State to plan its course of action to meet the budget shortfall. The restrictions set by this bill limits the Legislature's ability to address budget shortfalls and may lead to deeper budget reductions and reductions in workforce.

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Another concern is this measure allows appropriations from the EBRF in a succeeding fiscal year, if the State collected or is projected to collect less general fund tax revenue in the current fiscal year. Thus, appropriations from the EBRF would be allowable in years with robust general fund tax growth as long as collections in the current fiscal year are less or are projected to be less than the prior fiscal year. This provision does not appear consistent with the desire to preserve the use of EBRF for dire financial situations.

For the foregoing reasons, HB471 HD1 SD1 CD1 will become law as Act 207, Session Laws of Hawaii 2017, effective July 12, 2017, without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large, sweeping flourish at the end.

DAVID Y. IGE
Governor, State of Hawaii

A BILL FOR AN ACT

RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND.

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

1 SECTION 1. Section 328L-3, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§328L-3 Emergency and budget reserve fund. (a) There is
4 established in the state treasury the emergency and budget
5 reserve fund, which shall be a special fund administered by the
6 director of finance [7] and into which shall be deposited:

7 (1) Twenty-four and one-half per cent of the moneys
8 received from the tobacco settlement moneys under
9 section 328L-2(b)(1);

10 (2) Appropriations made by the legislature to the fund;
11 and

12 (3) Five per cent of the state general fund balance at the
13 close of the fiscal year, whenever state general fund
14 revenues for each of two successive fiscal years
15 exceeds revenues for each of the preceding fiscal
16 years by five per cent, pursuant to article VII,
17 section 6 of the Hawaii constitution. For the purpose
18 of this section, the general fund balance at the close



1 of the fiscal year shall be calculated before any tax
2 refund or tax credit is authorized by the legislature,
3 pursuant to article VII, section 6 of the Hawaii
4 constitution, that is provided during the same regular
5 session as the transfer depositing such moneys to the
6 emergency and budget reserve fund; provided that
7 transfers shall not be made to the emergency and
8 budget reserve fund whenever the balance of the
9 emergency and budget reserve fund is equal to or more
10 than ten per cent of general fund revenues for the
11 preceding fiscal year. The transfer shall be executed
12 by the director of finance;

13 provided that all moneys deposited into the emergency and budget
14 reserve fund under paragraphs (1) and (2) and all moneys
15 deposited under paragraph (3) shall be kept in separate and
16 distinct accounts.

17 (b) All interest earned from moneys in the emergency and
18 budget reserve fund shall be credited to the emergency and
19 budget reserve fund.

20 (c) Expenditures from the emergency and budget reserve
21 fund shall be a temporary supplemental source of funding for the



1 State during times of emergency, severe economic downturn, or
2 unforeseen reduction in revenues. No expenditures shall be made
3 from the emergency and budget reserve fund except pursuant to
4 appropriations. The general appropriations bill or the
5 supplemental appropriations bill, as defined in section 9 of
6 article VII of the Hawaii constitution, shall not be used to
7 appropriate moneys from the emergency and budget reserve fund.
8 The governor, through an appropriations bill, may recommend
9 expenditures from the emergency and budget reserve fund by
10 setting forth the purposes of the expenditures consistent with
11 subsection (d), the amounts, and the reasons justifying the
12 necessity for the appropriations.

13 (d) The legislature may make appropriations from the fund
14 for the following purposes:

- 15 (1) To maintain levels of programs determined to be
16 essential to public health, safety, welfare, and
17 education;
- 18 (2) To provide for counter cyclical economic and
19 employment programs in periods of economic downturn;
- 20 (3) To restore facilities destroyed or damaged or services
21 disrupted by disaster in any county; and



1 (4) To meet other emergencies when declared by the
2 governor or determined to be urgent by the
3 legislature.

4 Any act making appropriations from the emergency and budget
5 reserve fund shall include a declaration of findings and
6 purposes setting forth the purposes, the amounts, and the
7 reasons why the appropriations are necessary and shall require a
8 two-thirds majority vote of each house of the legislature.

9 (e) Appropriations for the following purposes from the
10 emergency and budget reserve fund are specifically prohibited:

- 11 (1) To meet expenses of the legislature;
- 12 (2) To provide for salary adjustments for officials
13 appointed pursuant to article V, section 6 or article
14 VI, section 3 of the [~~Constitution of the State of~~]
15 Hawaii constitution and for others whose salaries are
16 directly related to salaries of these officials; and
- 17 (3) To fund cost items in any collective bargaining
18 contract.

19 (f) The legislature shall not appropriate from the
20 emergency and budget reserve fund:



- 1 (1) More than fifty per cent of the total balance of the
2 fund in a fiscal year;
- 3 (2) In a fiscal year, an amount that exceeds ten per cent
4 of the total discretionary funds appropriated by the
5 legislature for the same fiscal year for which
6 emergency and budget reserve fund moneys are
7 appropriated. For the purpose of this paragraph,
8 "discretionary funds" means the total amount of
9 general fund moneys appropriated or authorized by the
10 legislature for expenditure during the fiscal year for
11 operating costs less non-discretionary funds; where
12 "non-discretionary funds" means the total amount of
13 general fund moneys appropriated or authorized by the
14 legislature for expenditure during the same fiscal
15 year for:
- 16 (A) Debt service payments for general obligation
17 bonds;
- 18 (B) Employer contributions for pension and retirement
19 benefits of state government employees;



- 1 (C) Employer contributions for health insurance
- 2 benefits of state government employees and state
- 3 government retirees;
- 4 (D) Medicaid service costs, meaning the costs of
- 5 services provided to low-income persons under the
- 6 medical assistance program established under
- 7 chapter 346 and funded in part under Title XIX of
- 8 the federal Social Security Act, as amended.
- 9 "Medicaid service costs" does not include the
- 10 costs of management, administrative, or other
- 11 overhead services performed by the department of
- 12 human services for medicaid; and
- 13 (E) Other costs, including but not limited to
- 14 payroll, lease costs for real property, and
- 15 equipment for the same fiscal year, as determined
- 16 by the legislature; and
- 17 (3) Any amount for expenditure in the succeeding fiscal
- 18 year, unless the State has collected or is projected
- 19 to collect less general fund tax revenue in the
- 20 current fiscal year compared to the immediately
- 21 preceding fiscal year."



1 SECTION 2. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 3. This Act shall take effect on July 1, 2017.

APPROVED this day of , 2017

GOVERNOR OF THE STATE OF HAWAII



HB No. 471, HD 1, SD 1, CD 1

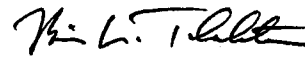
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki
Speaker
House of Representatives

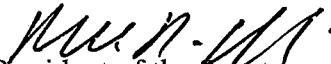



Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.


President of the Senate


Clerk of the Senate