

EXECUTIVE CHAMBERS

HONOLULU

April 30, 2004

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 2743

Honorable Members
Twenty-Second Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 2743, entitled "A Bill for an Act Relating to Non-General Funds."

The stated purpose of this bill is to transfer moneys from certain special and revolving funds to the general fund, including setting up a mechanism to "automatically" take money out of the Tobacco Settlement Special Fund and the State Parking Revolving Fund at the end of each fiscal year.

This bill is a manifestation of the questionable financial practices that have plagued the State for too long. Using moneys out of special funds to pay for ongoing expenses, such as arbitrated pay raises, is further evidence that the State is living beyond its means. This is not unlike a family taking money out of the children's college fund or an IRA account to pay its grocery bills. This practice must cease if we are to ensure the State's long-term fiscal health and well-being.

While I believe this practice should not continue over the long term, I realize that without some use of these moneys, the biennium budget will remain out of balance. Of the transfers of money made by this bill, I object to the following transfers, because I believe that these transfers will most severely compromise the ability of the State to carry out legally mandated programs:

1. The \$800,000 transfer from the Animal Quarantine Special Fund to the general fund. While the Legislature determined that there was \$800,000 in excess of the requirements of this fund and authorized the deposit of that amount to the general fund, I believe that a reduction of that magnitude would deplete this fund by fiscal year 2006 and cause the quarantine operations to close down. The impact on the health of our community by this action cannot be overstated.

2. The \$900,000 transfer from the Agricultural Loan Reserve Fund to the general fund. While the Legislature determined that there was \$900,000 in excess of the requirements of this fund and authorized the deposit of that amount to the general fund, this action would cripple the Department of Agriculture's ability to provide loans to farmers in the event of natural disasters, such as the recent floods experienced on all islands.

3. The \$3,000,000 transfer from the Special Land and Development Fund to the general fund. While the Legislature determined that there was \$3 million in excess of the requirements of this fund and authorized the deposit of that amount to the general fund, taking this action would severely impact our ability to manage our parks, recreational, and conservation areas.

4. The \$12,500,000 transfer from the State Highway Fund to the general fund. This fund provides moneys critical to the repair and maintenance of our state highways. The recent flooding that has caused serious disrepair to our roadways is ample evidence of the need for

these moneys. Additionally, money in this fund can be utilized to match federal highway dollars in a 20 percent to 80 percent ratio. Thus, taking \$12.5 million in highway funds is equivalent to the State losing \$50 million.

Section 5 of Article VII of the State Constitution provides that "[n]o public money shall be expended except pursuant to appropriations made by law." The removal of money from the special and revolving funds constitute expenditures of that money from those special and revolving funds and must be authorized by "appropriations made by law." While this bill uses the term "transfer" to authorize the removal of money out of various special and revolving funds, these authorizations to remove money by "transfers" are "appropriations made by law" within the requirement of Section 5 of Article VII of the State Constitution. Section 16 of Article III of the State Constitution provides that, "[e]xcept for items appropriated to be expended by the judicial and legislative branches, the governor may veto any specific item or items in any bill which appropriates money for specific purposes by striking out or reducing the same." Because of the foregoing objections, I have taken the following actions pursuant to my line item veto authority:

1. Stricken out the \$800,000 special fund appropriation out of the Animal Quarantine Special Fund on page 1, line 6 and changed it to \$0.

2. Stricken out the \$900,000 special fund appropriation out of the Agricultural Loan Reserve Fund on page 1, line 12 and changed it to \$0.

3. Stricken out the \$1,500,000 special fund appropriation out of the Special Land and Development Fund effective July 1, 2004 on page 5, line 15 and changed it to \$0.

STATEMENT OF OBJECTIONS
HOUSE BILL NO. 2743
Page 4

4. Stricken out the \$1,500,000 special fund appropriation out of the Special Land and Development Fund, effective January 1, 2005, on page 6, line 1 and changed it to \$0.

5. Stricken out the \$11,000,000 special fund appropriation out of the State Highway Fund, effective January 1, 2004, on page 6, line 7 and changed it to \$0.

6. Stricken out the \$1,500,000 special fund appropriation out of the State Highway Fund, effective June 29, 2005, on page 6, line 13 and changed it to \$0.

For the foregoing reasons, I am returning House Bill No. 2743 with the special fund appropriations for fiscal year 2004-2005 set forth above, totaling \$17,200,000, stricken from the bill.

Respectfully,

LINDA LINGLE
Governor of Hawaii