THE BOND BUYER

Hawaii governor vetoes use of federal rescue funds for bonds or reserves

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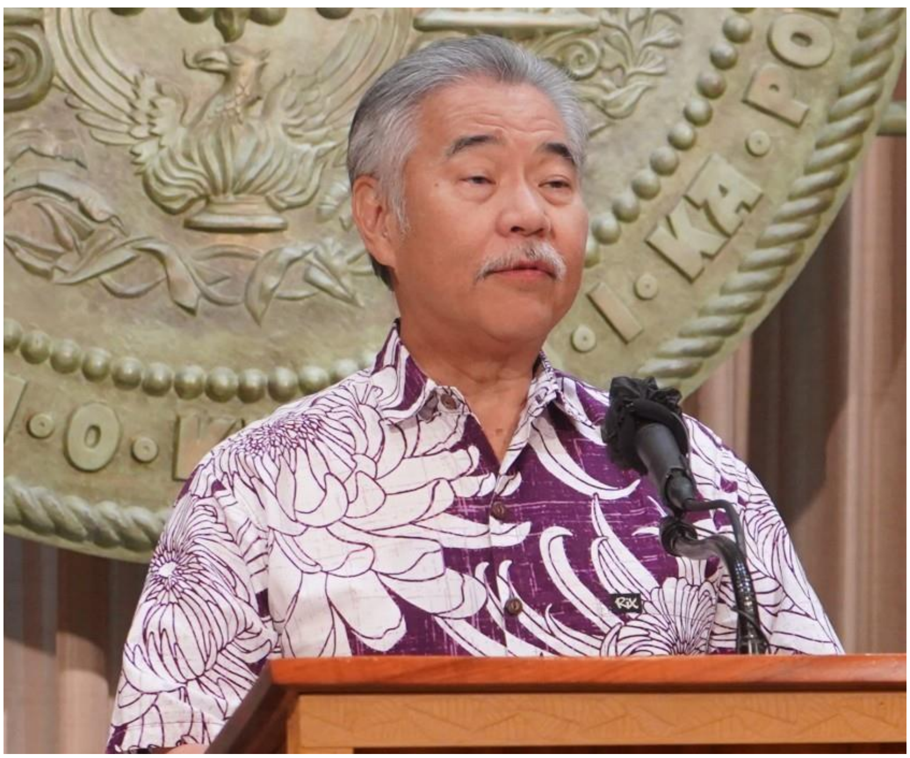
Hawaii Gov. David Ige's final veto list continues to target budget line items that would use federal relief funding to pay bond debt and replenish reserves.

Ige's vetoes on those items are in line with Treasury guidance, which bars the use of federal relief funding to pay debt service or replenish reserves, but it also leaves a hole in the biennium budget.

"I did sign House Bill 200, the Budget Act, into law, except for a few line item vetoes, and those were specifically related to the use of recovery funds that Treasury said were not allowable," Ige said Tuesday during an online press conference.



Hawaii Gov. David Ige only scrapped two items on his long list of planned vetoes. ***Hawaii Governor's Office***

The veto that bars using federal funds to pay debt service creates a gap of $160 million in the fiscal 2022 budget and a gap of $257.4 million in fiscal 2023 for debt service, according to the Hawaii Department of Budget and Finance.

His vetoes include House Bill 54, which would replenish reserves that were used to bolster the pandemic-decimated general fund in 2020, which fell to $58.8 million as of June 30, 2020, from $378.2 million on June 30, 2019.

Ige didn't outline any recommendations for additional funding to fill the gaps, but noted the Council of Revenues revised its forecast in May estimating the state will bring in $3 billion in additional revenues over the two-year budget period.

The governor had announced plans to veto 28 bills and ultimately vetoed 26 of them by Tuesday's deadline — both records for his two terms in office. He has pointed to the revised revenue forecast, a rosier economic picture and Treasury's guidance on federal relief funds for the large number of vetoes.

Lawmakers in both chambers responded by overriding five of Ige's vetoes in special sessions held Tuesday.

The House and Senate also proposed an amendment that would use money from the general fund to replenish the reserve rather than federal relief funds. Both houses have to reconvene Thursday — after a mandated 48-hour waiting period — for final votes on the changes. The houses postponed to Thursday discussion on how to handle House Bill 53, which proscribed using federal funds to pay debt service on general obligation bonds.

The Legislature adjourned at the end of April after approving a $31.2 billion biennium budget, but each chamber agreed last week to meet in special session to consider Ige's vetoes.

Ige's veto of a bill that would have drastically cut funding for the Hawaii Tourism Authority and eliminated distribution of a hotel bed tax to the state agency as well as individual counties was hotly debated in the Senate Tuesday before it voted to override, despite some opposition. That vote too will have to be finalized Thursday.

"We want to share the islands with the rest of the world, but it needs to be done with a wise use of funds," Sen. Bennette Misalucha, D-Pearl City, said. "That is why I am seeking to override the veto. Every year state agencies justify their funding during the budget process. That is part of the checks and balances. But HTA has been exempt from this process."

The agency has come under fire for its use of funding and for its management of tourism as the islands have experienced a surge of visitors as COVID-19 pandemic restrictions have eased.

House Bill 862 “would make it very difficult to operate HTA as well as the convention center,” Ige said. “Additionally, House Bill 862 would create an inefficient system to collect tax money for the counties. The measure explicitly prohibits the state from assisting (in the process).”

House Bill 862, approved during regular session with an 11th hour gut and replace effort, sought to eliminate the $103 million annual county share of revenue from the transient accommodations tax, or hotel tax. Instead of sending the money to the counties, the state would have kept it.

The bill also would have taken away the dedicated transient accommodations tax funding HTA has had since its founding. The bill replaced HTA’s normal $79 million annual TAT distribution with $60 million in funding from this year’s American Rescue Plan Act.

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