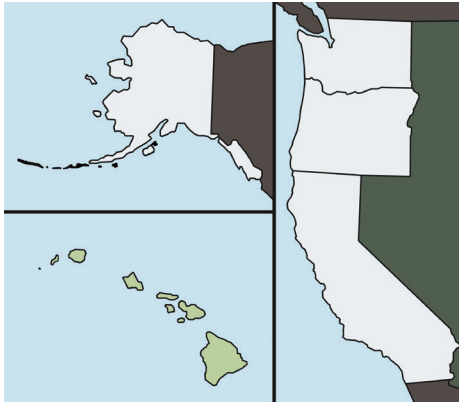


HAWAII Budget Report Card



HAWAII WON TOP A average grades for fiscal 2015 through 2019 in three categories: budget forecasting, budget maneuvers, and reserve funds. It joined California, Idaho, Tennessee, and Utah as the only states to collect three A averages.

In reserve funds, Hawaii was notable for clear statutes that govern the replenishment of its emergency and budget reserve fund. For example, at year-end, 5 percent of the state’s general fund balance must be transferred to the reserve when general fund revenues for two consecutive years exceed the previous year’s general fund revenues by that amount. This policy helped Hawaii amass a \$378 million rainy day fund balance at the end of fiscal 2019, equivalent

to 4.8 percent of general fund expenditures – up significantly from 2015, when the fund held \$90 million or 1.4 percent of expenditures.

Hawaii was one of seventeen states to earn an A average in budget maneuvers by avoiding one-time revenue and expenditure tactics to achieve balance. The state also received an A in budget forecasting. Consensus revenue estimates are produced by a panel whose members are chosen by the governor and legislative leaders. Revenue and expenditure projections cover six years.

In legacy costs, Hawaii received the lowest grade possible, a D-minus. That reflects pension contributions for public workers that trailed actuarial requirements, as well as a 55 percent funding level as of 2019. The state accelerated contributions for other postemployment benefits (OPEB), primarily health care, to 100 percent of actuaries’ recommendations in 2019 under a law passed six years earlier. Its B average in transparency reflected the inception of reports on deferred infrastructure maintenance costs in 2017 and on tax expenditures in 2018. While tax expenditure reports are common, only four other states—Alaska, California, Illinois, and Tennessee—publish similar infrastructure data.


PACIFIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	C	B	A	A
California	B	A	D	A	A
Hawaii	A	A	D-	A	B
Oregon	C	A	B	B	B
Washington	A	B	C	A	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org. © 2021 VOLCKER ALLIANCE INC.


HAWAII Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	A	A	A	A	A	'15 '16 '17 '18 '19
	Consensus Revenue Forecasts	✓	✓	✓	✓	✓	● ● ● ● ●
	Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	
	Multiyear Revenue Forecasts	✓	✓	✓	✓	✓	
	Revenue Growth Projections	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						A	

BUDGET MANEUVERS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	A	A	B	A	B	'15 '16 '17 '18 '19
	Deferring Recurring Expenditures	✓	✓	✓	✓	✓	● ● ● ● ●
	Revenue and Cost Shifting	✓	✓	X	✓	X	● ● ● ● ●
	Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	
	Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						A	

LEGACY COSTS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	D	D	D	D	D	'15 '16 '17 '18 '19
	Public Employee OPEB Funding	X	X	X	X	✓	
	Public Employee Pension Funding	X	X	X	X	X	
	Public Employee Pension Funded Ratio*	62%	51%	55%	55%	55%	● ● ● ● ●
5-YEAR AVERAGE						D	

RESERVE FUNDS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	A	A	A	A	A	'15 '16 '17 '18 '19
	Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	● ● ● ● ●
	Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	
	Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	
	Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						A	

TRANSPARENCY							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	C	C	B	A	A	'15 '16 '17 '18 '19
	Consolidated Budget Website	✓	✓	✓	✓	✓	● ● ● ● ●
	Provides Debt Tables	✓	✓	✓	✓	✓	● ● ● ● ●
	Discloses Deferred Infrastructure Replacement Costs	X	X	✓	✓	✓	● ● ● ● ●
	Discloses Tax Expenditures	X	X	X	✓	✓	● ● ● ● ●
5-YEAR AVERAGE						B	

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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