

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 104

February 6, 2015

RELATING TO BUDGETING

Senate Bill No. 104 proposes to amend Chapter 37, Budget, of the HRS, to define “efficiency measures” and require their inclusion in the budget documents. The bill also proposes that the Director of Finance assist State agencies with the formulation of their efficiency measures and approve these measures, after sending the measures to the chairperson of the House Committee on Finance and the chairperson of the Senate Committee on Ways and Means for review and comment.

The Department of Budget and Finance has concerns regarding this bill. First, there may be technical issues with providing efficiency measures, which have been defined as “. . . the cost within the lowest level of a program to produce a single unit of activity or effectiveness measure of that level of the program.” State agencies generally do not keep track of the cost of each employee or other costs attributable to a particular activity or effectiveness measure, as a whole or by a single unit, and may not even have the capacity to do so.

Second, it is not clear what a “single unit” is for different units of measure. For example, would a single unit for an effectiveness measure which is measured by percentage be one percent of that outcome? It is also unclear what “cost,” although defined as “. . . the sum of research and development cost and operating cost,” should include. While the most obvious cost would be employee salaries, it is

unclear if the costs of support staff (e.g., clerical), facilities (e.g., rent), utilities, fringe benefits, etc., should also be included. Again, we are uncertain that State agencies have the capacity to collect this data or make projections to this level of detail as such an endeavor could be extremely labor intensive, if even possible. Further, the cost to produce a single unit can vary widely depending upon the complexity of the situation.

Lastly, it may be difficult to include efficiency measures in the budget documents within the given timeframe due to the need to reprogram existing budget databases to accommodate the additional data or develop interim reports.

This department is willing to work with the committee to better understand the expectations and the intent of this measure. Due to the complexity of developing efficiency measures, we would suggest working together during the interim to determine what would be feasible.