
A BILL FOR AN ACT

RELATING TO STATE FINANCES.

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

1 SECTION 1. The legislature finds that predicting the
2 future of the State's economic and financial growth is often an
3 uncertain science. The legislature further finds that council
4 of revenues general fund projections, used for both the
5 development of the biennium budget and the six-year state
6 program and financial plan, averaged an error of 5.54 percentage
7 points from 2001-2013. Given the inexact nature of these
8 projections, especially with the inherent difficulty with
9 financial projections for dates farther out into the future, new
10 approaches to this process should be explored to ensure that
11 realistic and practical financial goals for the State are
12 planned and implemented.

13 The six-year state program and financial plan, which is
14 prepared by the office of the governor pursuant to section 37-
15 69, Hawaii Revised Statutes, and continually updated and
16 maintained using recent economic data for the State and
17 counties, is often relied upon as a financial road map for the



1 State. This program and financial plan, along with the biennium
2 budget, represent two of the most used government indicators of
3 state fiscal policy, planning, and economic health.
4 Accordingly, the legislature finds that it would be in the best
5 interest of state financial administration and the public if
6 improvements were made to improve the accuracy and reliability
7 of these indicators.

8 The legislature also finds that pursuant to Attorney
9 General Opinion No. 97-1, there exists a statutorily implied,
10 but otherwise unwritten, requirement for the proposed biennium
11 budget to be a "balanced budget". The legislature finds that
12 codifying this implied requirement may help to increase the
13 transparency of state financial administration procedures and
14 serve as a more visible indicator of the importance of ongoing
15 responsible state financial policy.

16 The purpose of this Act is to:

17 (1) Address the difficulty in making accurate projections
18 under the current six-year state program and financial
19 plan by reducing the length of the program and
20 financial plan to a shorter and more manageable
21 projection period of four years; and



1 (2) Codifying the statutorily implied mandate that the
2 proposed executive budget prepared by the governor is
3 balanced.

4 SECTION 2. Section 10-14.5, Hawaii Revised Statutes, is
5 amended by amending subsection (a) to read as follows:

6 "(a) The budget, [~~six-year~~] four-year program and
7 financial plan, and the variance report of the office of
8 Hawaiian affairs shall be submitted by the board to the
9 legislature and to each member thereof in accordance with the
10 budget submission schedule specified for the governor in chapter
11 37 and shall contain the program information specified in that
12 chapter that is applicable to the office of Hawaiian affairs.
13 Not less than twenty days prior to the convening of each regular
14 session of the legislature, the office of Hawaiian affairs shall
15 submit to the legislature an accounting of the expenditures made
16 in the prior fiscal year, by account code and budget program.
17 By November 1 of each year preceding a legislative session in
18 which a budget is to be submitted, the board shall provide
19 written notification to the governor of the proposed total
20 expenditures, by cost categories and sources of funding, and



1 estimated revenues of the office of Hawaiian affairs for each
2 fiscal year of the next fiscal biennium."

3 SECTION 3. Section 37-62, Hawaii Revised Statutes, is
4 amended by amending the definition of "programming" to read as
5 follows:

6 "Programming" means that process by which government's
7 long-range program and financial plans are scheduled for
8 implementation over a [~~six-year~~] four-year period and which
9 specifies what programs are to be implemented, how they are to
10 be implemented, when they are to be implemented, and what the
11 costs of such implementation are."

12 SECTION 4. Section 37-65, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "[~~+~~]**\$37-65**[~~+~~] **Responsibilities of the governor.** The
15 governor shall direct the preparation and administration of
16 state programs, program and financial plans, and budget. The
17 governor shall evaluate the long-range program plans, requested
18 budgets and alternatives to state objectives and programs; and
19 formulate and recommend for consideration by the legislature the
20 State's long-range plans, a proposed [~~six-year~~] four-year state
21 program and financial plan and a proposed state budget."



1 SECTION 5. Section 37-66, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~§37-66~~ **Responsibilities of the legislature.** The
4 legislature shall:

5 (1) Consider the long-range plans, including the proposed
6 objectives and policies, the ~~[six-year]~~ four-year
7 state program and financial plan, and the budget and
8 revenue proposals recommended by the governor and any
9 alternatives thereto.

10 (2) Adopt programs and the state budget, and appropriate
11 moneys to implement the programs it deems appropriate.

12 (3) Adopt such other legislation as necessary to implement
13 state programs.

14 (4) Review the implementation of the state budget and
15 program accomplishments and execution of legislative
16 policy direction. Implementation of the state budget
17 and program management, execution, and performance
18 shall be subject to post-audits by the auditor who
19 shall report the auditor's findings and
20 recommendations to the legislature as provided in
21 chapter 23."



1 SECTION 6. Section 37-67, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~[§]§37-67[§]~~ **Responsibilities of the department of budget**
4 **and finance.** The director of finance shall assist the governor
5 in the preparation, explanation and administration of the state
6 long-range plans, the proposed ~~[six-year]~~ four-year program and
7 financial plan and the state budget. To this end, subject to
8 this part, the director shall:

9 (1) With the approval of the governor, develop procedures
10 and prescribe rules and regulations to guide such
11 state agencies as may be assigned by the director the
12 task of formulating and preparing the initial
13 proposals with respect to long-range plans, program
14 and financial plans, program budget requests and
15 program performance reports and to assure the
16 availability of information needed for effective
17 policy decision-making.

18 (2) Assist such state agencies in the formulation of
19 program objectives, preparation of program plans and
20 program budget requests, and reporting of program
21 performance.



- 1 (3) Coordinate, analyze and revise as necessary the
2 program objectives, long-range plans, program and
3 financial plans, program budget requests and program
4 performance reports initially proposed or prepared by
5 such state agencies and develop the state
6 comprehensive program and financial plan, budget and
7 program performance report.
- 8 (4) Administer its responsibilities under the program
9 execution provisions of this part so that the policy
10 decisions and budget determinations of the governor
11 and the legislature are implemented to the fullest
12 extent possible within the concepts of proper
13 management.
- 14 (5) Investigate continuously the administration of the
15 various agencies for the purpose of advising the
16 governor and recommending to the governor, the
17 legislature and the committees of the legislature
18 concerning the duties of the various positions in
19 these agencies, the methods of the agency, the
20 standards of efficiency therein, and changes which in
21 the director's judgment will produce greater



1 effectiveness of programs and economy in the conduct
2 of government programs and assist in the preparation
3 of program and financial plans, budget requests and
4 program performance reports.

5 (6) Provide the legislature and any member or committee of
6 either house of the legislature with such documents
7 and information as may be requested concerning the
8 programs, budget, and fiscal and management operations
9 of the State."

10 SECTION 7. Section 37-69, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**\$37-69 The [~~six-year~~] four-year program and financial**
13 **plan.** (a) The governor shall prepare a state [~~six-year~~] four-
14 year program and financial plan encompassing all state programs.
15 Not fewer than thirty days before the legislature convenes in
16 every odd-numbered year, the governor shall submit to the
17 legislature and to each member thereof the [~~six-year~~] four-year
18 program and financial plan. The program and financial plan
19 shall be annually and continually updated and maintained. The
20 program and financial plan, in general, shall contain:

21 (1) The state program structure;



(2) Statements of statewide objectives and program objectives;

(3) Program plans that describe the programs recommended to implement the statewide and program objectives and the manner in which the recommended programs are proposed to be implemented over the next [~~six~~] four fiscal years; and

(4) A financial plan that shows the fiscal implications of the recommended programs for the next [~~six~~] four fiscal years.

(b) The information contained in the program and financial plan shall be presented generally in the following manner:

(1) Information shall be displayed by programs, or groups of programs.

(2) Programs shall be appropriately crosswalked to expending agencies.

(3) Data shall be appropriately summarized at each level of the program structure.

(4) Program costs shall include all costs, including research and development, operating and capital, regardless of the means of financing except that the



1 means of financing shall be expressly identified; all
2 costs shall be displayed in the year of their
3 anticipated expenditure, regardless of whether such
4 costs have been authorized to be expended by prior
5 appropriations acts or are authorized to be expended
6 by existing law, or require new appropriations or
7 authorizations.

8 (5) Cost data shall be presented in units of thousands of
9 dollars or less.

10 (6) Comparative data for the last completed fiscal year
11 and the fiscal year in progress shall be shown.

12 (c) The financial plan for the ensuing [~~six~~] four fiscal
13 years shall more specifically include:

14 (1) Economic data for the State and the counties of the
15 following kinds:

16 (A) Population: Including historical; current, and
17 projected population count; population
18 distribution by age and sex; estimated increases
19 and decreases, including increases and decreases
20 by immigration;



1 (B) Employment: Including magnitude of labor force by
2 age and sex; labor force participation rates;
3 employment by age and sex; industry and
4 occupational surpluses and shortages; effects of
5 government programs on employment rate;

6 (C) Income: Including per capita and per family
7 income; disposable income; income distribution;

8 (D) Wages and prices: Including wages by industry and
9 occupational groups; prices for government
10 procurement items; construction costs; cost of
11 living index; price indices for components of
12 personal consumption;

13 (E) Industry and business trends; and

14 (F) Effects of national economic and financial
15 policies and conditions;

16 (2) Brief statements disclosing the basis upon which the
17 revenue estimates in the plan were made, including for
18 each specific tax and nontax revenue source:

19 (A) The previous projections for the last completed
20 fiscal year and the fiscal year in progress;



- 1 (B) The variance between the projections and the
2 actual or revised estimate, and the reasons for
3 the variances;
- 4 (C) Tax or source base and rates;
- 5 (D) Yield projections of existing revenue sources and
6 existing taxes at authorized rates;
- 7 (E) Assumptions made and methodology used in
8 projections;
- 9 (F) Changes recommended; and
- 10 (G) Projected yields if changes are adopted; etc.;
- 11 (3) At the lowest level on the state program structure,
12 for each program:
- 13 (A) The total actual program cost for the last
14 completed fiscal year, the estimated cost for the
15 fiscal year in progress, and the estimated cost
16 for each of the next [~~six~~] four fiscal years;
17 research and development, operating, and capital
18 costs shall be included and the means of
19 financing shall be identified. The number of
20 personnel positions and all lease payments shall



1 be shown for the program, identified by their
2 means of financing;

3 (B) The program size indicators; the actual size
4 attained in the last completed fiscal year, the
5 estimated size for the fiscal year in progress,
6 and the estimated size for each of the next [~~six~~]
7 four fiscal years; and

8 (C) The effectiveness measures; the actual level of
9 effectiveness attained in the last completed
10 fiscal year, the estimated level of effectiveness
11 for the fiscal year in progress, and the
12 estimated level for each of the next [~~six~~] four
13 fiscal years;

14 (4) Appropriate displays of paragraph (3)(A) and (C), at
15 every level of the state program structure above the
16 lowest level, by the major groupings of programs
17 encompassed within the level. The displays of
18 [+]paragraph[+] (3)(A) shall appropriately identify
19 the means of financing and the number of positions
20 included in the level;



1 (5) Financial summaries displaying the State's financial
2 condition, actual for the last completed fiscal year,
3 and estimated for the fiscal year in progress and each
4 of the next [~~six~~] four fiscal years, including:

5 (A) A display of the programmed, total state
6 expenditures, by cost categories, the total state
7 resources anticipated from existing tax and
8 nontax sources at existing rates, by resource
9 categories, including the fund balance or deficit
10 at the beginning of the fiscal year and bond
11 receipts, and the resulting fund balance or
12 deficit at the close of each fiscal year. Lease
13 payments in each cost category shall be stated
14 separately; and

15 (B) The changes proposed to the existing tax and
16 nontax rates, sources or structure, and the
17 estimated increases or reductions in revenues,
18 the estimated cumulative increases or reductions,
19 and the estimated fund balance or deficit in each
20 of the next [~~six~~] four fiscal years as a result
21 of such proposed changes. Proposals for changes



1 in the existing tax and nontax rates, sources or
2 structure shall be made in every case where the
3 proposed, total state expenditures exceed the
4 total resources anticipated from existing tax and
5 nontax sources at existing rates.

6 Such financial summaries shall be prepared for the
7 total state expenditures and resources and for the
8 general fund and special fund portions thereof;

9 (6) A summary of the balance of each special fund, actual
10 for the last completed fiscal year and estimated for
11 the fiscal year in progress and estimated for each of
12 the next [~~six~~] four fiscal years;

13 (7) A summary of the State's total bond fund required to
14 carry out the recommended programs and the kinds of
15 bonds and amounts thereof through which the
16 requirements were met in the last completed fiscal
17 year, are to be met in the fiscal year in progress,
18 and are proposed to be met in each of the next [~~six~~]
19 four fiscal years. The summary shall detail, for each
20 fiscal year:



1 (A) Of the total bond fund requirements, the amount,
2 by cost categories, requiring new bond issuance
3 authorization and the kinds and amounts of bonds
4 planned for issuance under such new
5 authorizations;

6 (B) By bond categories, the total, cumulative balance
7 of bonds authorized in prior years but unissued
8 and the amount thereof proposed to be issued; and

9 (C) A recapitulation of the total bonds to be issued,
10 including both new authorizations and prior
11 authorizations, by bond categories;

12 (8) Separately for general fund tax revenues, special fund
13 tax revenues, general fund nontax revenues, and
14 special fund nontax revenues:

15 (A) By kinds of taxes or sources, the amount of
16 revenue from existing, authorized taxes or
17 sources at existing rates received in the last
18 completed fiscal year and estimated to be
19 received in the fiscal year in progress and in
20 each of the next ~~six~~ four fiscal years;



1 (B) A summary of the proposed changes in the existing
2 taxes or sources or rates, and the estimated
3 increases or reductions in revenues in each of
4 the next [~~six~~] four fiscal years resulting from
5 such changes; and

6 (C) The total estimated revenues with and without the
7 proposed changes in each of the next [~~six~~] four
8 fiscal years; and

9 (9) A summary of the State's total payments due under
10 financing agreements required to carry out the
11 recommended programs and the kinds of financing
12 agreements and amounts thereof through which the
13 requirements were met in the last completed fiscal
14 year, are to be met in the fiscal year in progress,
15 and are proposed to be met in each of the next [~~six~~]
16 four fiscal years. The summary shall detail, for each
17 fiscal year:

18 (A) Of the total financing agreement requirements,
19 the amount, by cost categories, requiring new
20 financing agreement authorizations and the kinds
21 and amounts of financing agreements planned for



1 execution and delivery under such new
2 authorizations;

3 (B) By cost category, the cumulative balance of
4 financing agreements authorized in prior years
5 but not executed and delivered and the amount
6 proposed to be executed and delivered; and

7 (C) A recapitulation of the total financing
8 agreements to be executed and delivered,
9 including both new authorizations and prior
10 authorizations, by cost categories.

11 (d) The program plans for the ensuing [~~six~~] four fiscal
12 years shall more specifically include:

13 (1) At the lowest level on the state program structure,
14 for each program:

15 (A) A statement of its objectives;

16 (B) Measures by which the effectiveness in attaining
17 the objectives is to be assessed;

18 (C) The level of effectiveness planned for each of
19 the ensuing [~~six~~] four fiscal years;

20 (D) A brief description of the activities
21 encompassed;



- 1 (E) The program size indicators;
- 2 (F) The program size planned for each of the next
- 3 [~~six~~] four fiscal years;
- 4 (G) A narrative explanation of the plans for the
- 5 program. It shall contain, and in general be
- 6 limited to, the following:
- 7 (i) A description of the kinds of activities
- 8 carried out or unusual technologies
- 9 employed;
- 10 (ii) A statement of key policies pursued;
- 11 (iii) Identification of important program or
- 12 organizational relationships involved;
- 13 (iv) A description of major external trends
- 14 affecting the program;
- 15 (v) A discussion of significant discrepancies
- 16 between previously planned cost,
- 17 effectiveness, and program size levels and
- 18 those actually achieved;
- 19 (vi) Comments on, and an interpretation of, cost,
- 20 effectiveness, and program size data over
- 21 the upcoming budget period, with special



1 attention devoted to changes from the
2 current budget period;

3 (vii) Comments on, and an interpretation of, cost,
4 effectiveness, and program size data over
5 the four years of the planning period and
6 how they relate to the corresponding data
7 for the budget period; and

8 (viii) A summary of the special analytic study,
9 program evaluation, or other analytic report
10 supporting a substantial change in the
11 program where such a major program change
12 recommendation has been made;

13 (H) The full cost implications of the recommended
14 programs, by cost categories and cost elements,
15 actually experienced in the last completed fiscal
16 year, estimated for the fiscal year in progress,
17 and estimated for each of the next [~~six~~] four
18 fiscal years. The means of financing shall be
19 identified for each cost category. The personal
20 services cost element and the lease payments cost
21 element shall be shown separately; the cost



1 elements of other current expenses, equipment,
2 and motor vehicles may be combined. The number
3 of positions included in the program shall be
4 appropriately identified by means of financing;

5 (I) A recapitulation of subparagraph (H) for the last
6 completed fiscal year, the fiscal year in
7 progress and each of the next [~~six~~] four fiscal
8 years, by means of financing grouped under each
9 cost category. The number of positions included
10 in any program shall be appropriately identified;

11 (J) An identification of the revenues generated in
12 the last completed fiscal year and estimated to
13 be generated in the fiscal year in progress and
14 in each of the next [~~six~~] four fiscal years, and
15 the fund into which such revenues are deposited;

16 (K) Details of implementation of each capital
17 improvement project included in the total program
18 cost, including:

19 (i) A description of the project, location, and
20 scope;



1 (ii) The initially estimated, currently
2 estimated, and final cost of the project, by
3 investment cost elements and by means of
4 financing;

5 (iii) The amounts previously appropriated by the
6 legislature for the project, by cost
7 elements and by means of financing specified
8 in the acts appropriating the sums, and an
9 identification of the acts so appropriating;

10 (iv) The costs incurred in the last completed
11 fiscal year and the estimated costs to be
12 incurred in the fiscal year in progress and
13 in each of the next [~~six~~] four fiscal years,
14 by cost elements and by means of financing;
15 and

16 (v) A commencement and completion schedule, by
17 month and year, of the various phases of the
18 capital improvement project (i.e., land
19 acquisition, design, construction, and
20 occupancy) as originally intended, as



1 currently estimated, and as actually
2 experienced; and

3 (L) A crosswalk of the program expenditures, by cost
4 categories and cost elements between the program
5 and expending agencies for the next two fiscal
6 years. The means of financing and the number of
7 positions included in the program costs to be
8 expended by each agency shall be specified; and

9 (2) Appropriate displays at every level of the state
10 program structure above the lowest level. The
11 displays shall include:

12 (A) A listing of all major groupings of programs
13 included within the level, together with the
14 objectives, measures of effectiveness, and
15 planned levels of effectiveness for each of the
16 ensuing [~~six~~] four fiscal years for each such
17 major groupings of programs; and

18 (B) A summary of the total cost of each cost category
19 by the major groupings of programs encompassed
20 within the level, actual for the last completed
21 fiscal year and estimated for the fiscal year in



1 progress and for each of the next [~~six~~] four
2 fiscal years."

3 SECTION 8. Section 37-70, Hawaii Revised Statutes, is
4 amended by amending subsection (b) to read as follows:

5 "(b) If it is deemed more desirable, the program memoranda
6 and the [~~six-year~~] four-year program and financial plan may be
7 combined into a single document containing all the information
8 required for each separate document."

9 SECTION 9. Section 37-71, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§37-71 The budget.** (a) Not fewer than thirty days
12 before the legislature convenes in every odd-numbered year, the
13 governor shall submit to the legislature and to each member
14 thereof a budget that shall contain the program and budget
15 recommendations of the governor for the succeeding two fiscal
16 years. The budget, in general, shall contain:

17 (1) The state program structure;

18 (2) Statements of statewide objectives;

19 (3) The financial requirements for the next two fiscal
20 years to carry out the recommended programs; and



(4) A summary of state receipts and revenues in the last completed fiscal year, a revised estimate for the fiscal year in progress, and an estimate for the succeeding biennium.

(b) The information contained in the budget shall be presented generally in the following manner:

(1) Information shall be displayed by programs or groups of programs.

(2) Program financial requirements shall be appropriately crosswalked between the programs and expending agencies.

(3) Data shall be appropriately summarized at each level of the program structure.

(4) Program costs shall include all costs, including research and development, operating and capital, regardless of the means of financing, except that the means of financing shall be expressly identified, and regardless of whether the expenditure of any sum was authorized by prior appropriations acts, is authorized by existing law, or requires new authorization, except



1 that the amounts requiring new authorization shall be
2 appropriately identified.

3 (5) Financial requirements shall be presented to the
4 nearest dollar, omitting cents; and the summary of
5 state receipts and revenues shall be presented to the
6 nearest thousand dollars.

7 (6) The budget shall reflect the ensuing first two fiscal
8 year program costs contained in the [~~six-year~~] four-
9 year program and financial plan.

10 (c) The display of financial requirements for the ensuing
11 two fiscal years shall more specifically include:

12 (1) At the lowest level on the state program structure,
13 for each program:

14 (A) The total recommended expenditures, including
15 research and development, capital and operating
16 costs, by cost categories and cost elements for
17 the ensuing biennium; the planned allocation of
18 the total biennial request, by cost categories,
19 and cost elements, between the two fiscal years
20 of the biennium. The means of financing and the



1 number of positions included in any cost category
2 amount shall be appropriately identified;

3 (B) A summary showing means of financing the total
4 recommended expenditures, those amounts requiring
5 and those amounts not requiring legislative
6 appropriation or authorization for spending in
7 each fiscal year of the biennium;

8 (C) A crosswalk of the total proposed biennial
9 expenditures between the program and expending
10 agencies. The means of financing the number of
11 positions and the lease payments included in any
12 cost amount, and the net amount requiring
13 appropriation or authorization shall be
14 appropriately identified for each expending
15 agency; and

16 (D) The proposed changes in the levels of
17 expenditures, by cost categories, between the
18 biennium in progress and the ensuing biennium,
19 together with a brief explanation of the major
20 reasons for each change. The reasons shall
21 include, as appropriate, the following:



- 1 (i) Salary adjustments to existing positions of
2 personnel;
- 3 (ii) The addition or deletion of positions;
- 4 (iii) Changes in the number of persons being
5 served or to be served by the program;
- 6 (iv) Changes in the program implementation
7 schedule;
- 8 (v) Changes in the actual or planned level of
9 program effectiveness;
- 10 (vi) Increases due to the establishment of a
11 program not previously included in the
12 State's program structure;
- 13 (vii) Decreases due to the phasing out of a
14 program previously included in the State's
15 program structure; and
- 16 (viii) Changes in the purchase price of goods or
17 services;

18 As appropriate, references to the program and
19 financial plan shall be noted for an explanation of
20 the changes. Notwithstanding the provisions of
21 subsection (b) (5), the proposed changes in the levels



1 of expenditures may be shown to the nearest thousand
2 dollars;

3 (2) Appropriate summaries of paragraph (1)(A) and (C)
4 immediately above at every level of the state program
5 structure above the lowest level. Such summaries
6 shall be by the major groupings of programs
7 encompassed within the level. The summaries of
8 paragraph (1)(A) shall identify the means of financing
9 and the number of positions and the lease payments
10 included in any cost category amount; and

11 (3) A summary listing of all capital improvement projects
12 included in the proposed capital investment costs for
13 the ensuing biennium. The listing shall be by
14 programs at the lowest level of the state program
15 structure and shall show for each project, by
16 investment cost elements:

17 (A) The cost of the project;

18 (B) The amount of funds previously appropriated and
19 authorized by the legislature; and

20 (C) The amount of new appropriations and

21 authorizations proposed in each of the two fiscal



1 years of the ensuing biennium and in each of the
2 succeeding four years. The amount of the new
3 appropriations and authorizations proposed shall
4 constitute the proposed new requests for the
5 project in each of the fiscal bienniums.

6 In every instance, the means of financing shall be
7 noted.

8 (d) The summaries of the state receipts and revenues shall
9 more specifically include:

10 (1) Financial summaries displaying the State's financial
11 condition, to-wit:

12 (A) A display of the proposed, total state
13 expenditures, by cost categories, the total state
14 resources anticipated from existing taxes and
15 nontax sources at existing rates, by resource
16 categories (including the available fund balances
17 or deficits and anticipated bond receipts), and
18 the fund balance or deficit resulting therefrom
19 for the biennium in progress, for the ensuing
20 biennium, and for each of the two fiscal years of
21 the ensuing biennium; and



1 (B) The changes proposed to the existing tax and
2 nontax rates, sources, or structure, and the
3 estimated cumulative increases or reductions, and
4 the estimated fund balance or deficit in the
5 ensuing biennium and in each of the two fiscal
6 years of the biennium as a result of such
7 proposed changes. Proposals for changes in the
8 existing tax and nontax rates, sources, or
9 structure shall be made in every case where the
10 proposed, total state expenditures exceed the
11 total state resources anticipated from existing
12 tax and nontax sources at existing rates.

13 Such financial summaries shall be prepared for the
14 total state expenditures and resources and for the
15 general fund and special fund portions thereof;

16 (2) A summary of the balances of each special fund, actual
17 for the last completed fiscal year and estimated for
18 the fiscal year in progress and for each of the two
19 fiscal years in the ensuing biennium;

20 (3) A summary of the State's total bond fund required to
21 carry out the recommended programs and the kinds of



1 bonds and amounts thereof through which such
2 requirements are to be met in the biennium in progress
3 and in each of the two fiscal years in the ensuing
4 biennium. The summary shall detail for the biennium
5 in progress and for each of the two years of the
6 ensuing biennium:

7 (A) Of the total requirements, the amount, by cost
8 categories, requiring new bond issuance
9 authorization and the kinds and amounts of bonds
10 planned for issuance under such new
11 authorization;

12 (B) By bond categories, the total, cumulative balance
13 of bonds authorized in prior years but unissued
14 and the amount thereof planned to be issued; and

15 (C) A recapitulation of the total bonds, both new
16 authorizations and prior authorizations, by bond
17 categories, proposed to be issued;

18 (4) A tentative schedule by quarter and fiscal year of the
19 amount of general obligation bonds and the amount of
20 revenue bonds proposed to be issued in the ensuing
21 fiscal biennium;



1 (5) A schedule of projected debt service charges for
2 general obligation bonds outstanding at the time of
3 the submission of the budget and to be issued by the
4 close of the budget biennium in progress and the close
5 of the ensuing budget biennium. The projection shall
6 be separately stated for:

7 (A) Bonds currently outstanding;

8 (B) Bonds to be issued during the remainder of the
9 fiscal biennium in progress and during the
10 ensuing fiscal biennium; and

11 (C) The total bonds currently outstanding and to be
12 issued.

13 In each case, the projection shall be categorized into
14 debt service to be paid directly from the general
15 fund, debt service to be paid through reimbursements,
16 and total debt service. The projection shall extend
17 at least five years beyond the close of the ensuing
18 fiscal biennium. An explanation shall be appended to
19 the schedule, which shall include among other things,
20 the amount of bonds to be issued during the fiscal
21 year in progress and in each of the two fiscal years



1 of the ensuing biennium, the maturities of the bonds
2 to be issued, the method of retirement, and the
3 interest rate assumed in the projection;

4 (6) A schedule of the current state funded debt, legal
5 debt limit, and the legal debt margin, including the
6 details thereof. In any budget which proposes
7 appropriations for which the source of funding is
8 general obligation bonds, the schedule shall include a
9 declaration by the director of finance and
10 computations showing that the total amount of
11 principal and interest, estimated for such proposed
12 appropriations and for all bonds authorized and
13 unissued and calculated for all bonds issued and
14 outstanding, will not cause the debt limit to be
15 exceeded at the time of issuance;

16 (7) Separately for general fund tax revenues, special fund
17 tax revenues, general fund nontax revenues, and
18 special fund nontax revenues:

19 (A) By kinds of taxes or sources, the amount of
20 revenue from existing, authorized taxes or
21 sources at existing rates received in the last



1 completed fiscal year and estimated to be
2 received in the fiscal year in progress and in
3 each of the two fiscal years in the ensuing
4 biennium, with appropriate totals for the two
5 bienniums;

6 (B) A summary of the proposed changes in the existing
7 taxes or sources or rates, and the estimated
8 increases or reductions in revenues in each of
9 the two years in the ensuing fiscal biennium
10 resulting from such changes; and

11 (C) The total estimated revenues with and without the
12 proposed changes; and

13 (8) A summary of the State's total payments due under
14 financing agreements required to carry out the
15 recommended programs and the kinds of financing
16 agreements and amounts thereof through which such
17 requirements are to be met in the biennium in progress
18 and in each of the two fiscal years in the ensuing
19 biennium. The summary shall detail for the biennium
20 in progress and for each of the two years of the
21 ensuing biennium:



1 (A) Of the total financing agreement requirements,
2 the amount, by cost categories, requiring new
3 financing agreement authorizations and the kinds
4 and amounts of financing agreements planned for
5 execution and delivery under such new
6 authorizations;

7 (B) By cost category, the cumulative balance of
8 financing agreements authorized in prior years
9 but not executed and delivered and the amount
10 thereof proposed to be executed and delivered;
11 and

12 (C) A recapitulation of the total financing
13 agreements to be executed and delivered,
14 including both new authorizations and prior
15 authorizations, by cost categories.

16 (e) The proposed budget shall include:

17 (1) A statement of the percentage differences between the
18 current biennium recommendations and the previous
19 biennium appropriations for education programs. The
20 information shall be displayed by programs or groups
21 of programs, with corresponding amounts and percentage



1 differences. If any component of an education program
2 is added or removed, the governor shall provide an
3 estimate of how the addition or removal affects the
4 current biennium recommendations;

5 (2) A statement of the difference between the total amount
6 proposed for the current biennium and the total amount
7 expended in the previous biennium for education
8 programs per pupil; and

9 (3) Other financial statements, information, and data that
10 in the opinion of the governor are necessary or
11 desirable in order to make known in all practical
12 detail the programs, program plans, and financial
13 conditions of the State.

14 As used in this subsection, "education programs" include
15 instructional, personnel, transportation, facilities, facilities
16 repair and maintenance, and other programs deemed appropriate by
17 the department of education.

18 (f) The proposed budget shall contain an item to be known
19 as the "contingent fund", which sum, upon approval by the
20 legislature, shall be available for allocation by the governor



1 during the ensuing fiscal biennium to meet contingencies as they
2 arise.

3 (g) If it is deemed more practical, the [~~six-year~~] four-
4 year program and financial plan and the budget may be combined
5 into a single document containing all the information required
6 for each separate document.

7 (h) The proposed budget shall not provide for projected
8 expenditures in excess of projected revenues."

9 SECTION 10. Section 37-75, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§37-75 Variance report.** Not fewer than thirty days prior
12 to the convening of each regular session of the legislature, the
13 governor shall submit to the legislature and to each member
14 thereof a report on program performance for the last completed
15 fiscal year and the fiscal year in progress. In format, the
16 report generally shall follow the fiscal requirements portion of
17 the executive budget or budgets. The report shall include:

18 (1) At the lowest level of the program structure, for each
19 program contained in the budget finally approved by
20 the legislature for the last completed fiscal year and
21 the fiscal year in progress:



1 (A) A comparison, by the operating and research and
2 development cost categories, of the budgeted
3 expenditures and the actual expenditures for the
4 last completed fiscal year and the budgeted
5 expenditures and the estimated expenditures for
6 the fiscal year in progress;

7 (B) A comparison, for the operating and research and
8 development cost categories, of the budgeted
9 expenditures and positions authorized and the
10 actual expenditures and positions filled in the
11 last completed fiscal year and a comparison of
12 the budgeted expenditures and the number of
13 positions authorized for the fiscal year in
14 progress and the actual expenditures and number
15 of positions filled in the first three months of
16 the fiscal year in progress and the estimated
17 expenditures and number of positions expected to
18 be filled in the remaining months of the fiscal
19 year in progress;

20 (C) The program size indicators and a comparison of
21 the program size anticipated and the size



1 actually realized in the last completed fiscal
2 year and the program size anticipated and the
3 size estimated for the fiscal year in progress;

4 (D) The effectiveness measures and a comparison of
5 the level of effectiveness anticipated and the
6 level actually attained in the last completed
7 fiscal year and the level of effectiveness
8 anticipated and the level estimated for the
9 fiscal year in progress; and

10 (E) A narrative explanation of the significant
11 differences for the last completed fiscal year in
12 each of the comparisons made in subparagraphs
13 (A), (B), (C), and (D), including an explanation
14 of the basis upon which the original estimates
15 were made and the reasons why the estimates
16 proved accurate or inaccurate, and a statement of
17 what the actual experience portends for the
18 future of the program in terms of costs, size,
19 and effectiveness;

20 provided that expenditure amounts in the comparisons
21 shall be shown to the nearest thousand dollars;



(2) Appropriate summaries at each level of the state program structure for each major grouping of programs encompassed therein, showing:

(A) A comparison of the total budgeted expenditure and the total actual expenditure for the last completed fiscal year and the total budgeted expenditure and the total estimated expenditure for the fiscal year in progress; provided that the expenditure amounts shall be shown to the nearest thousand dollars;

(B) The effectiveness measures and a comparison of the level of effectiveness anticipated and the level actually attained in the last completed fiscal year and the level of effectiveness anticipated and the level estimated for the fiscal year in progress; and

(C) A narrative explanation summarizing the major reasons for the differences in the comparisons made for the last completed fiscal year in subparagraphs (A) and (B); and



(3) A narrative explanation of the significant variations in capital improvement costs; provided that capital improvement project variances shall be referenced to the [~~six-year~~] four-year program and financial plan, which shall contain the information specified in section 37-69(d)(1)(K)."

SECTION 11. Section 37-76, Hawaii Revised Statutes, is amended to read as follows:

"§37-76 Publication. The state [~~six-year~~] four-year program and financial plan, the budget and the variance report shall be printed with a reasonable number of copies for public distribution."

SECTION 12. Section 37-78, Hawaii Revised Statutes, is amended to read as follows:

"§37-78 Schedule of implementation. The governor shall submit to the legislature:

- (1) At the regular session of 1975, and every odd-numbered year's session thereafter, the program memoranda described in section 37-70[-];
- (2) At the regular session of 1975, and every odd-numbered year's session [~~thereafter,~~] preceding the regular



1 session of 2017, the governor's proposed state budget
2 and six-year program and financial plan[-]; and

3 (3) At the regular session of 2017, and every odd-numbered
4 year's session thereafter, the governor's proposed
5 state budget and four-year program and financial
6 plan."

7 SECTION 13. Section 37-111, Hawaii Revised Statutes, is
8 amended by amending subsection (a) to read as follows:

9 "(a) There shall be a council on revenues which shall
10 prepare revenue estimates of the state government for the fiscal
11 year in progress and for each of the ensuing fiscal years of the
12 ~~[six-year]~~ four-year state program and financial plan. The
13 council shall report the estimates and revisions thereto to the
14 governor and the legislature each June 1, September 10,
15 January 10, and March 15. The council shall revise and update
16 such estimates if it determines that such revisions are
17 necessary or upon request of the governor or the legislature."

18 SECTION 14. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.



H.B. NO. 990

1 SECTION 15. This Act shall take effect on January 1, 2017.

2

INTRODUCED BY:

B. L. Kojala

JAN 26 2015



H.B. NO. 990

Report Title:

State Finances; Program and Financial Plan; State Budget

Description:

Amends the six-year program and financial plan to a four-year program and financial plan. Codifies the statutorily implied mandate that the proposed executive budget submitted by the governor be balanced.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

