

## ACT 320

S.B. NO. 1780-86

A Bill for an Act Relating to the Allotment System and the Executive Budget.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Section 37-34, Hawaii Revised Statutes, is amended to read as follows:

**“§37-34 Appropriations available for allotment; estimate of expenses. (a)** No appropriation to which the allotment system is applicable shall become available to any department or establishment for expenditure during any allotment period until the department or establishment submits to the director of finance at such time prior to the beginning of the allotment period and in such form as the director may prescribe an estimate of the amount required to carry on the work of the department or establishment during that period, and until the estimate is approved, increased, or decreased by the director and funds allotted [therefor.] pursuant to section 37-35.

**(b) Before appropriations for the University of Hawaii or the department of education become available to the university or the department of education, the governor, with the assistance of the director of finance, as may be necessary, shall establish allotment ceilings for each source of funding of all of the appropriations of the University of Hawaii and the department of education for each allotment period; and advise the university and the department of education of these determinations.**”

SECTION 2. Section 37-35, Hawaii Revised Statutes, is amended to read as follows:

**“§37-35 Estimated expenditures; approval.** The director of finance shall review all estimates submitted [to him,] under section 37-34 and, having due regard for the probable further needs of the department or establishment for the remainder of the term for which the appropriation was made, the terms and purposes of the appropriation, the progress of collection of revenues, and condition of the treasury, and the probable receipts and total cash requirements for the ensuing quarter, [he] shall approve, increase, or reduce the amount of the estimate[.]; provided that the director of finance shall approve the estimates submitted by the University of Hawaii or the department of education when the sum of the estimates for each funding source does not exceed the applicable allotment ceilings established by the governor under section 37-34, the progress of collection of revenues, the condition of the treasury, and the probable receipts and total cash requirements for the ensuing quarter permit, and all other legal requirements are satisfied. The director shall act promptly upon all estimates and notify each department or establishment of its allotment, and shall notify the comptroller.”

SECTION 3. Section 37-36, Hawaii Revised Statutes, is amended to read as follows:

**“§37-36 Modification.** The director of finance may at any time modify or amend any previous allotment [previously made by him,] upon application of, or upon notice to, the department or establishment concerned[,]; provided that for the University of Hawaii or the department of education, the director of finance may modify or amend any previous allotment only upon application of the university or the department of education, or upon notice to the university or the department of education, and the approval of the governor that the modification is necessary to avoid an illegal result; provided[,] further that no deficit or undue reduction of funds to meet future needs of the department or establishment will result therefrom; and provided[,] further[,] that no modification or amendment reduces an allotment below the amount required to meet valid obligations or commitments previously incurred against the allotted funds.”

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

**“§37-37 Reduction.** [When] (a) Except as provided in subsection (b), when the director of finance determines at any time that the probable receipts from taxes or any other sources for any appropriation will be less than was anticipated, and that consequently the amount available for the remainder of the term of the appropriation or for any allotment period will be less than the amount estimated or allotted therefor, the director shall, with the approval of the governor[,] and after notice to the department or establishment concerned, reduce the amount allotted or to be allotted[,]; provided that no reduction reduces any allotted amount below the amount required to meet valid obligations or commitments previously incurred against the allotted [fund.] funds.

(b) For the University of Hawaii or the department of education, when the director of finance determines at any time that the probable receipts from taxes or any other sources for any appropriation will be less than was anticipated, and that consequently the amount available for the remainder of the term of the appropriation or for any allotment period will be less than the amount estimated or allotted therefor, the director shall advise the governor of the situation, and the governor shall redetermine the allotment ceiling for the affected source or sources of funding pursuant to section 37-34, and shall advise the university or the department of education, as applicable, of the redetermination. The university or the department of education, within twenty days of the governor’s notification, shall submit revised estimates consistent with the governor’s redetermination to the director of finance; otherwise, the director of finance shall modify, amend, or reduce any allotment of the university or the department of education, as applicable, to comply with the governor’s redetermination; provided that no reduction reduces any allotted amount below the amount required to meet valid obligations or commitments previously incurred against the allotted funds.”

SECTION 5. Section 37-74, Hawaii Revised Statutes, is amended to read as follows:

**“§37-74 Program execution.** (a) Except as limited by policy decisions of the governor, appropriations by the legislature, and other provisions of law, the several agencies responsible for administering state programs shall administer their program assignments and shall be responsible for their proper management.

(b) The appropriations by the legislature for a biennium shall be allocated between the two fiscal years of the biennium in the manner provided in the budget or appropriations act and as further prescribed by the director of finance. The amounts allocated for each fiscal year shall be subject to the allotment system prescribed in chapter 37, part II. Each agency (except the courts), in estimating its quarterly requirements under chapter 37, part II, shall prepare a plan for the fiscal year for the operation of each of the programs it is responsible for administering. The operations plan shall be in such form and content as the department of budget and finance may prescribe. It shall be submitted, together with the estimated quarterly requirements, to the department of budget and finance on such date as the department may prescribe.

(c) The department of budget and finance shall:

- (1) Review each operations plan to determine that it is consistent with the policy decisions of the governor and appropriations by the legislature, that it reflects proper planning and efficient management methods, and that appropriations have been made for the planned purpose and will not be exhausted before the end of the fiscal year[.]; provided that the department of budget and finance shall review the operations plan submitted by the University of Hawaii or the department of education, as applicable, solely for consistency with the allotment ceilings established by the governor under section 37-34, appropriations by the legislature, and the status of revenues to support operations plans for all state programs.
- (2) Approve the operations plan if satisfied that it meets the requirements under paragraph (1). Otherwise, the department of budget and finance shall require revision of the operations plan in whole or in part.
- (3) Modify or withhold the planned expenditures at any time during the appropriation period if the department of budget and finance finds that such expenditures are greater than those necessary to execute the programs at the level authorized by the governor and the legislature, or that state receipts and surpluses will be insufficient to meet the authorized expenditure levels[.]; provided that the planned expenditures for the University of Hawaii or the department of education, as applicable, may be modified or withheld only in accordance with sections 37-36 and 37-37.

(d) No appropriation transfers or changes between programs or agencies shall be made without legislative authorization[. Authorized]; provided that authorized transfers or changes, when made, shall be reported to the legislature[.]; provided further that the University of Hawaii and the department of education, within their respective departments, shall have the flexibility to transfer general fund appropriations for the operating cost category among programs with the same or similar objectives, among cost elements in a program, and between quarters, as applicable, with due regard for statutory requirements, changing conditions, the needs of the programs, and the effective utilization of resources; and provided further that the university and the department of education, within their respective departments, shall account for each transfer implemented under this subsection in quarterly reports to the governor and annual reports at the end of each fiscal year to the legislature and the governor, which shall be prepared in the form and manner prescribed by the governor and shall include information on the sources and uses of the transfer.

(e) The University of Hawaii and the department of education, within their respective departments, shall not use current appropriations in any manner that would result in the expansion of programs or the initiation of new programs which may require any future increase in the commitment of state resources, without the specific prior concurrence of the legislature and advice of the governor."

SECTION 6. The legislative auditor shall conduct a review of the University of Hawaii and the department of education in order to assess and evaluate any impact of the provisions of this Act on the quality and effectiveness of the instruction, organized research, public service, academic support, student services, and institutional support program areas, as applicable, at the university and the department of education. Particular emphasis shall be given to the impact of the general fund transfer authority upon student education. This review shall be conducted in three phases with initial reports to the legislature during the first week of its 1987 regular session. Each report shall include an inventory and assessment of the condition of the university and the department of education prior to implementation of this Act; interim reports to the legislature during the first week of its 1988 regular session evaluating progress made and identifying problems encountered to date within any or all of the six program areas; and final reports to the legislature during the first week of its 1989 regular session with overall evaluations and final recommendations, including recommended drafts of legislation, on continuation of the provisions of this Act."

SECTION 7. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 1986, and be repealed as of June 30, 1989.

(Approved June 6, 1986.)