

## ACT 178

S.B. NO. 102

A Bill for an Act Relating to the Federal Funding Policy Study.

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

SECTION 1. The purpose of this Act is to address the federal funding policy study mandated by Act 225, Session Laws of Hawaii 2016.

Specifically, this Act amends Act 225 to change the state agency charged with conducting the federal funding policy study required by that Act, specify the fiscal period to be covered by the study, and extend the deadline for the study.

The legislature finds that the department of budget and finance is more appropriate than the office of the governor to conduct the federal funding policy study. Specifically, the office of federal awards management within the department of budget and finance currently monitors federal funds received by the State and bears the major responsibility for budgetary policies. Most importantly, the department of budget and finance must work towards assuring that the resources of the State are sufficient to fund necessary expenditures in the short- and long-term. This responsibility gives the department a practical appreciation of the need for sustainable revenues.

SECTION 2. Act 225, Session Laws of Hawaii 2016, is amended by amending sections 1 through 3 to read as follows:

“SECTION 1. The purpose of this Act is to address federal funds for state government.

More specifically, this Act requires the ~~[office of the governor]~~ department of budget and finance to conduct a federal funding policy study~~[-]~~ and report findings and recommendations to the governor.

The legislature finds that the preparation of a study of federal funding is necessary for state public policymakers to better understand the possible consequences of major reductions in federal funding of state government programs and projects. The legislature intends for the study to result in a policy from the governor that reduces the dependence of state government on federal funds.

SECTION 2. (a) The ~~[office of the governor]~~ department of budget and finance shall prepare a federal funding policy study for the State.

(b) ~~[The]~~ As part of the federal funding policy study, the office of federal awards management of the department of budget and finance shall:

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- (1) Identify the federal fund awards that state executive departments regularly receive to pay for programs and projects; and
- (2) Estimate the amount of federal funds to be expended by the state government annually in the ~~[next two]~~ fiscal bienniums[;] 2017-2019 and 2019-2021.
- (c) The department of budget and finance shall utilize the data compiled under subsection (b) and, with the assistance of the office of federal awards management, shall:
  - ~~[(3)]~~ (1) Analyze the extent of the dependence of state executive departments on federal funds to pay for major programs and projects;
  - ~~[(4)]~~ (2) Address the likelihood of a reduction of federal funds for state programs and projects in the ~~[next two]~~ fiscal bienniums[;] 2017-2019 and 2019-2021; and
  - ~~[(5)]~~ (3) Discuss generally the impact on state government and Hawaii residents if federal funding levels are reduced.
- ~~[(e)]~~ (d) Based upon the findings from [subsection] subsections (b)[;] and (c), the [federal funding policy study] department of budget and finance shall recommend a policy with respect to the use of federal funds for state programs and projects. The policy shall include:
  - (1) Parameters regarding the application for and acceptance of federal funds available on a formula or competitive basis;
  - (2) Principles guiding the extent of dependence of state executive departments on federal funds;
  - (3) Conditions for using federal funds as the means of financing the salaries of state employees;
  - (4) Circumstances under which the state government should continue programs or projects with state funds after federal funds are no longer available for those programs and projects; and
  - (5) Measures and recommendations to protect the state government and residents of the State from the adverse effects of a slowed or reduced rate of federal funding for state programs and projects.
- ~~[(d)]~~ (e) The [office of the governor] department of budget and finance shall submit[;] to the governor and legislature:
  - (1) An interim report on the actions taken pursuant to this Act from its effective date until December 31, ~~[2016, to the legislature]~~ 2017, and estimated data and preliminary findings for fiscal year 2017-2018. The interim report shall be submitted no later than [twenty days prior to the convening of the regular session of 2017;] February 1, 2018; and
  - (2) The final federal funding policy study and any proposed legislation ~~[to the legislature]~~ no later than ~~[twenty days prior to the convening of the regular session of]~~ October 1, 2018.
- (f) After receipt of the final federal funding policy study, the governor shall review the findings and recommendations and submit a report to the legislature with the governor's decisions on whether to accept, reject, or modify the recommendations of the study. The report shall be submitted by January 1, 2019.

SECTION 3. ~~[There is appropriated out of the general revenues of the State of Hawaii the sum of \$100,000 or so much thereof as may be necessary for fiscal year 2016-2017 for the preparation of the federal funding policy study.~~

The sum appropriated shall be expended by the office of the governor for the purposes of this Act.] There is appropriated out of the general revenues of the State of Hawaii the sum of \$100,000 or so much thereof as may be necessary

for fiscal year 2017-2018 for the preparation of the federal funding policy study; provided that this appropriation shall not lapse at the end of fiscal year 2017-2018; provided further that all moneys that are unencumbered as of December 31, 2018, shall lapse as of that date.

The sum appropriated shall be expended by the department of budget and finance for the purposes of this Act.”

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2017.

(Approved July 11, 2017.)