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# A BILL FOR AN ACT

RELATING TO CAPITAL INVESTMENTS.

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

1           SECTION 1. The legislature finds that the State of Hawaii  
2 needs to upgrade, improve, or replace its technology and  
3 computer systems infrastructure to become more efficient and  
4 productive. The department of accounting and general services  
5 uses the financial accounting management and information system  
6 (FAMIS), and the department of education uses the financial  
7 management system (FMS); both financial management systems are  
8 approximately twenty years old and based on antiquated  
9 technologies. The legislature finds that these are just two  
10 examples of agency-wide technology or computer systems that, if  
11 replaced, could result in improved efficiencies, greater  
12 accountability and transparency in the use of public funds, and  
13 improved reporting for decision makers and stakeholders at all  
14 levels. The legislature also finds that the replacement of  
15 existing, aging, or obsolete technology or computer systems is  
16 impeded when the projects are funded within a biennium operating  
17 budget over a phased implementation. The legislature believes



1 that a large-scale project designed to have a useful life of  
2 greater than seven years should be funded and depreciated as a  
3 capital investment over a longer period of time.

4 The purpose of this Act is to include agency-wide  
5 technology and computer systems with an estimated useful life of  
6 greater than seven years as capital investments to allow all  
7 agency and contracted labor costs for the installation,  
8 monitoring, and replacement of these technologies and computer  
9 systems to be financed with bond funds and depreciated as  
10 capital investments.

11 SECTION 2. Section 37-62, Hawaii Revised Statutes, is  
12 amended as follows:

13 1. By amending the definition of "capital investment  
14 costs" to read:

15 "Capital investment costs" means costs, beyond the  
16 research and development phase, associated with capital  
17 improvements, including all agency or contracted labor costs  
18 allocated to the installation, monitoring, and replacement of  
19 agency-wide technology or computer systems with an estimated  
20 useful life of greater than seven years, the acquisition and  
21 development of land, the design and construction of new  
22 facilities, and the making of renovations or additions to



1 existing facilities. Capital investment costs for a program are  
2 the sum of the program's capital improvement project costs."

3 2. By amending the definition of "cost elements" to read:

4 "Cost elements" means the major subdivisions of a cost  
5 category. The category "capital investment" includes plan, land  
6 acquisition, design, construction, and equipment and  
7 furnishing[-], as well as agency-wide technology or computer  
8 systems with an estimated useful life of greater than seven  
9 years. The categories "research and development" and  
10 "operating" include personal services, current lease payments,  
11 other current expenses, equipment, and motor vehicles."

12 3. By amending the definition of "phases of capital  
13 improvement project" to read:

14 "Phases of capital improvement project" means land  
15 acquisition, design, construction, and occupancy. For  
16 technology or computer systems with an estimated useful life of  
17 greater than seven years, "phases of capital improvement  
18 project" means planning, testing, implementation, and  
19 monitoring."

20 SECTION 3. Section 37-69, Hawaii Revised Statutes, is  
21 amended by amending subsection (d) to read as follows:



1           "(d) The program plans for the ensuing six fiscal years  
2 shall more specifically include:

3           (1) At the lowest level on the state program structure,  
4           for each program:

5           (A) A statement of its objectives;

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

8           (C) The level of effectiveness planned for each of  
9           the ensuing six fiscal years;

10          (D) A brief description of the activities  
11          encompassed;

12          (E) The program size indicators;

13          (F) The program size planned for each of the next six  
14          fiscal years;

15          (G) A narrative explanation of the plans for the  
16          program. It shall contain, and in general be  
17          limited to, the following:

18               (i) A description of the kinds of activities  
19               carried out or unusual technologies  
20               employed;

21               (ii) A statement of key policies pursued;



- 1           (iii) Identification of important program or
- 2                           organizational relationships involved;
- 3           (iv) A description of major external trends
- 4                           affecting the program;
- 5           (v) A discussion of significant discrepancies
- 6                           between previously planned cost,
- 7                           effectiveness, and program size levels and
- 8                           those actually achieved;
- 9           (vi) Comments on, and an interpretation of, cost,
- 10                           effectiveness, and program size data over
- 11                           the upcoming budget period, with special
- 12                           attention devoted to changes from the
- 13                           current budget period;
- 14           (vii) Comments on, and an interpretation of, cost,
- 15                           effectiveness, and program size data over
- 16                           the four years of the planning period and
- 17                           how they relate to the corresponding data
- 18                           for the budget period; and
- 19           (viii) A summary of the special analytic study,
- 20                           program evaluation, or other analytic report
- 21                           supporting a substantial change in the



1                   program where such a major program change  
2                   recommendation has been made;

3           (H)   The full cost implications of the recommended  
4           programs, by cost categories and cost elements,  
5           actually experienced in the last completed fiscal  
6           year, estimated for the fiscal year in progress,  
7           and estimated for each of the next six fiscal  
8           years. The means of financing shall be  
9           identified for each cost category. The personal  
10          services cost element and the lease payments cost  
11          element shall be shown separately; the cost  
12          elements of other current expenses, equipment,  
13          and motor vehicles may be combined. The number  
14          of positions included in the program shall be  
15          appropriately identified by means of financing;

16          (I)   A recapitulation of subparagraph (H) for the last  
17          completed fiscal year, the fiscal year in  
18          progress and each of the next six fiscal years,  
19          by means of financing grouped under each cost  
20          category. The number of positions included in  
21          any program shall be appropriately identified;



- 1           (J) An identification of the revenues generated in
- 2                   the last completed fiscal year and estimated to
- 3                   be generated in the fiscal year in progress and
- 4                   in each of the next six fiscal years, and the
- 5                   fund into which such revenues are deposited;
- 6           (K) Details of implementation of each capital
- 7                   improvement project included in the total program
- 8                   cost, including:
- 9                   (i) A description of the project, location, and
- 10                         scope;
- 11                   (ii) The initially estimated, currently
- 12                         estimated, and final cost of the project, by
- 13                         investment cost elements and by means of
- 14                         financing;
- 15                   (iii) The amounts previously appropriated by the
- 16                         legislature for the project, by cost
- 17                         elements and by means of financing specified
- 18                         in the acts appropriating the sums, and an
- 19                         identification of the acts so appropriating;
- 20                   (iv) The costs incurred in the last completed
- 21                         fiscal year and the estimated costs to be
- 22                         incurred in the fiscal year in progress and



1 in each of the next six fiscal years, by  
2 cost elements and by means of financing; and  
3 (v) A commencement and completion schedule, by  
4 month and year, of the various phases of the  
5 capital improvement project (i.e., land  
6 acquisition, design, construction, and  
7 occupancy[~~]~~, or planning, testing,  
8 implementation, and monitoring) as  
9 originally intended, as currently estimated,  
10 and as actually experienced; and

11 (L) A crosswalk of the program expenditures, by cost  
12 categories and cost elements between the program  
13 and expending agencies for the next two fiscal  
14 years. The means of financing and the number of  
15 positions included in the program costs to be  
16 expended by each agency shall be specified; and

17 (2) Appropriate displays at every level of the state  
18 program structure above the lowest level. The  
19 displays shall include:

20 (A) A listing of all major groupings of programs  
21 included within the level, together with the  
22 objectives, measures of effectiveness, and





1                   planned levels of effectiveness for each of the  
2                   ensuing six fiscal years for each such major  
3                   groupings of programs; and

4                   (B) A summary of the total cost of each cost category  
5                   by the major groupings of programs encompassed  
6                   within the level, actual for the last completed  
7                   fiscal year and estimated for the fiscal year in  
8                   progress and for each of the next six fiscal  
9                   years."

10                  SECTION 4. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12                  SECTION 5. This Act shall take effect on July 1, 2010.

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INTRODUCED BY:           *T. Stahr*          

JAN 13 2010



**Report Title:**

Capital Improvements Financing; Technology; Computer Systems

**Description:**

Defines agency-wide technology and computer system projects as capital investments to allow them to be financed with bond funds and depreciated as capital investments.

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

