

JAN 20 2010

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



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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.

13

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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.

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