
A BILL FOR AN ACT

RELATING TO CAPITAL INVESTMENTS.

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

1 SECTION 1. The State of Hawaii needs to upgrade, improve,
2 or replace its technology and computer systems infrastructure to
3 become more efficient and productive. The department of
4 accounting and general services uses the financial accounting
5 management and information system and the department of
6 education uses the financial management system, both of which
7 are approximately twenty years old and based on antiquated
8 technologies. These are just two examples of agency-wide
9 technology or computer systems that, if replaced, could result
10 in improved efficiencies, greater accountability and
11 transparency in the use of public funds, and improved reporting
12 for decision makers and stakeholders at all levels. However,
13 the replacement of existing, aging, or obsolete technology or
14 computer systems is impeded when the projects are funded within
15 a biennium operating budget over a phased implementation. A
16 large-scale project designed to have a useful life of greater
17 than seven years should be funded and depreciated as a capital
18 investment over a longer period of time.



1 The purpose of this Act is to include agency-wide
2 technology and computer systems with an estimated useful life of
3 not less than seven years as capital investments to allow all
4 agency and contracted labor costs, hardware, software, and
5 licenses for the installation, monitoring, and replacement of
6 these technologies and computer systems to be financed with bond
7 funds and depreciated as capital investments.

8 SECTION 2. Section 37-62, Hawaii Revised Statutes, is
9 amended by amending the definitions of "capital investment
10 costs", "cost elements", and "phases of capital improvement
11 project" to read as follows:

12 "Capital investment costs" means costs, beyond the
13 research and development phase, associated with capital
14 improvements, including all agency or contracted labor costs,
15 hardware, software, and licenses allocated to the development,
16 installation, monitoring, and replacement of agency-wide
17 technology or computer systems with an estimated useful life of
18 not less than seven years; the acquisition and development of
19 land[~~7~~]; the design and construction of new facilities[~~7~~]; and
20 the making of renovations or additions to existing facilities.
21 Capital investment costs for a program are the sum of the
22 program's capital improvement project costs.



1 "Cost elements" means the major subdivisions of a cost
2 category. The category "capital investment" includes plan, land
3 acquisition, design, construction, and equipment and
4 furnishing[-], as well as agency-wide technology or computer
5 systems with an estimated useful life of not less than seven
6 years. The categories "research and development" and
7 "operating" include personal services, current lease payments,
8 other current expenses, equipment, and motor vehicles.

9 "Phases of capital improvement project" means land
10 acquisition, design, construction, and occupancy. For
11 technology or computer systems with an estimated useful life of
12 not less than seven years, "phases of capital improvement
13 project" means planning, acquisition, testing, implementation,
14 and monitoring."

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

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

19 (1) At the lowest level on the state program structure,
20 for each program:

21 (A) A statement of its objectives;



- 1 (B) Measures by which the effectiveness in attaining
2 the objectives is to be assessed;
- 3 (C) The level of effectiveness planned for each of
4 the ensuing six fiscal years;
- 5 (D) A brief description of the activities
6 encompassed;
- 7 (E) The program size indicators;
- 8 (F) The program size planned for each of the next six
9 fiscal years;
- 10 (G) A narrative explanation of the plans for the
11 program. It shall contain, and in general be
12 limited to, the following:
- 13 (i) A description of the kinds of activities
14 carried out or unusual technologies
15 employed;
- 16 (ii) A statement of key policies pursued;
- 17 (iii) Identification of important program or
18 organizational relationships involved;
- 19 (iv) A description of major external trends
20 affecting the program;
- 21 (v) A discussion of significant discrepancies
22 between previously planned cost,



- 1 effectiveness, and program size levels and
- 2 those actually achieved;
- 3 (vi) Comments on, and an interpretation of, cost,
- 4 effectiveness, and program size data over
- 5 the upcoming budget period, with special
- 6 attention devoted to changes from the
- 7 current budget period;
- 8 (vii) Comments on, and an interpretation of, cost,
- 9 effectiveness, and program size data over
- 10 the four years of the planning period and
- 11 how they relate to the corresponding data
- 12 for the budget period; and
- 13 (viii) A summary of the special analytic study,
- 14 program evaluation, or other analytic report
- 15 supporting a substantial change in the
- 16 program where such a major program change
- 17 recommendation has been made;
- 18 (H) The full cost implications of the recommended
- 19 programs, by cost categories and cost elements,
- 20 actually experienced in the last completed fiscal
- 21 year, estimated for the fiscal year in progress,
- 22 and estimated for each of the next six fiscal



1 years. The means of financing shall be
2 identified for each cost category. The personal
3 services cost element and the lease payments cost
4 element shall be shown separately; the cost
5 elements of other current expenses, equipment,
6 and motor vehicles may be combined. The number
7 of positions included in the program shall be
8 appropriately identified by means of financing;

9 (I) A recapitulation of subparagraph (H) for the last
10 completed fiscal year, the fiscal year in
11 progress and each of the next six fiscal years,
12 by means of financing grouped under each cost
13 category. The number of positions included in
14 any program shall be appropriately identified;

15 (J) An identification of the revenues generated in
16 the last completed fiscal year and estimated to
17 be generated in the fiscal year in progress and
18 in each of the next six fiscal years, and the
19 fund into which such revenues are deposited;

20 (K) Details of implementation of each capital
21 improvement project included in the total program
22 cost, including:



- 1 (i) A description of the project, location, and
2 scope;
- 3 (ii) The initially estimated, currently
4 estimated, and final cost of the project, by
5 investment cost elements and by means of
6 financing;
- 7 (iii) The amounts previously appropriated by the
8 legislature for the project, by cost
9 elements and by means of financing specified
10 in the acts appropriating the sums, and an
11 identification of the acts so appropriating;
- 12 (iv) The costs incurred in the last completed
13 fiscal year and the estimated costs to be
14 incurred in the fiscal year in progress and
15 in each of the next six fiscal years, by
16 cost elements and by means of financing; and
- 17 (v) A commencement and completion schedule, by
18 month and year, of the various phases of the
19 capital improvement project (i.e., land
20 acquisition, design, construction, and
21 occupancy[+], or planning, acquisition,
22 testing, implementation, and monitoring) as



1 originally intended, as currently estimated,
2 and as actually 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 fiscal years for each such major
17 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 fiscal
2 years."

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

5 SECTION 5. This Act shall take effect on July 1, 2011.



Report Title:

Relating to Capital Investments

Description:

Amends chapter 37, Hawaii Revised Statutes, to include agency-wide technology and computer systems with an estimated useful life of not less than seven years as capital investments to allow all costs to be financed with bond funds and depreciated as capital investments. Effective July 1, 2011. (HB1058 HD1)

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