

SB 20

TESTIMONY BY **KALBERT K. YOUNG**
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 20

February 3, 2011

RELATING TO THE BUDGET

Senate Bill No. 20 proposes to amend Chapter 37, HRS, by adding a new section that requires the Director of Finance to report to the Legislature prior to making any material change to an expense, program, project, or capital improvement project for which the Legislature has already appropriated funds. The report is to include the projected amount of the cost variance and reasons for the intended material change. A "material change" is defined as:

1. A modification to an expense, program, project, or capital improvement project that totals at least an unspecified percent of the total amount appropriated for that expense, program, project, or capital improvement project; and
2. A modification to the original description, scope, or purpose of an expense, program, project, or capital improvement project.

The bill also amends Section 37-36, HRS, by changing the threshold for notification of a modification in allotment by the Director of Finance from 2.5 percent to an unspecified percent of the total general fund appropriation made by the Legislature in any fiscal year. The bill also specifies that the Section 37-36 notification shall not replace the reporting requirement for a material change to an expense, program, project, or capital improvement project.

We have significant concerns with Senate Bill No. 20 because it is unclear what is meant by the terms: "expense"; "program"; and "project." For example, if the term "expense," means the specific line items by object codes contained in the BJ details, then reports would have to be made for material changes to expenditures for office supplies, electricity, etc. Such reporting would not only be unwieldy but would be akin to going back to line item budgeting. If the term "program," means the current program I.D. level appropriations, then there is a basis for reporting. However, if the term means some sub-level of activity, then there needs to be some indication in an official budget document as to the appropriated amounts for the sub-level of activity and its intended purpose. Without this type of detail, there is no defined basis for reporting. Similarly, the term "project," needs some indication in an official budget document as to the appropriated amounts for the sub-level of activity and its intended purpose.

If these ambiguities are not clarified, there could be considerable differences in interpretation as to what is reportable. Further, depending on how the terms are defined and the thresholds set, the reporting requirement could become onerous.