

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1298

February 4, 2013

RELATING TO STATE FINANCIAL ADMINISTRATION

Senate Bill No. 1298 proposes to amend Chapter 37, Budget, of the HRS, to require that the projected operating costs of all capital improvement projects be specifically integrated in the budget preparation and review process and be included in the six-year program and financial plan.

The Department of Budget and Finance (B&F) offers these comments. As part of the budget preparation and review process for Governor's capital improvement program (CIP) budget, the departments are required to submit Tables P (Required Appropriations), Q (Expected Expenditures) and R (Project Justification). Table Q includes a section which indicates the impact that the requested CIP project will have on the respective operating budget.

While we understand that the departments have provided these supporting documents to the Legislature, we note that very few departments have provided the related operating cost information on Table Q. However, there may be no significant operating cost impact for many of the requested projects because they are for major repair and maintenance or may involve reprogramming or relocating existing operating resources. Nonetheless, we will be making a concerted effort in the future to ensure that the departments provide this information.

Additional operating costs for the CIP projects requested in the Governor's budget are not specifically included in the program and financial plan outyear projections because many factors may influence the completion of the projects and, hence, the date from which these resources may be required. The availability of funding required for project completion, the permitting process, and the bidding climate are some, but not all, of the factors which could hinder a project's timely completion. Further, it should be noted that these out year operating costs are preliminary and are subject to change and have not been reviewed by B&F.

For financial planning purposes, we are supportive of this concept. While having the projected operating costs for CIP requests available would be useful for financial plan projections, there is doubt in regard to the accuracy of these estimates.

For your reference [as a single example](#), attached are Tables P, Q and R for the University of Hawaii (UH) at Hilo's College of Pharmacy request. Table Q, found on the second page of the attachment, includes the effects of the operating budget, totaling \$120,000 (per fiscal year). Based on the project's schedule, we would expect that the project would be completed in mid-2015 and that UH would submit a budget request for these costs in their FY 2014-15 Supplemental Budget Request or their FB 2015-17 Biennium Budget Request. We believe, however, that the project schedule and operating cost impact will be further refined as the project progresses.

Attachment

SENATE DISTRICT	PRIORITY NUMBER	ISLAND	REP DISTRICT	PROJECT SCOPE	ITEM NUMBER	EXPENDING AGENCY
01		3 - HAWAII	002	N - NEW PROJECT		UOH

PROJECT TITLE:

UHH, COLLEGE OF PHARMACY AND OTHER HEALTH SCIENCES BUILDING, HAWAII

PROJECT DESCRIPTION:

DESIGN, CONSTRUCTION AND EQUIPMENT TO ESTABLISH THE PERMANENT SITE AND BUILDING FOR THE COLLEGE OF PHARMACY BUILDING. PROJECT TO INCLUDE GROUND AND SITE IMPROVEMENTS, DEVELOPMENT OF A NEW FACILITY, EQUIPMENT AND APPURTENANCES, AND ALL RELATED PROJECT COSTS.

PART I: BY ELEMENTS	MOF	PRIOR YR	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	SUCC YR
PLANS	*	1,800	0	0	0	0	0	0	0	0	0
LAND ACQUISITION	*	0	0	0	0	0	0	0	0	0	0
DESIGN	*	6,200	0	0	5,000	0	0	0	0	0	0
CONSTRUCTION	*	0	0	0	33,000	0	0	0	0	0	0
EQUIPMENT	*	0	0	0	0	3,000	0	0	0	0	0
TOTAL COST		8,000	0	0	38,000	3,000	0	0	0	0	0

PART II: BY MEANS OF FINANCE	MOF	PRIOR YR	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	SUCC YR
G.O. BONDS	C	5,500	0	0	33,000	3,000	0	0	0	0	0
REVENUE BONDS	E	0	0	0	5,000	0	0	0	0	0	0
PRIVATE CONTRIBUTIONS	R	2,500	0	0	0	0	0	0	0	0	0
TOTAL COST		8,000	0	0	38,000	3,000	0	0	0	0	0

IMPLEMENTATION SCHEDULE

PHASE	START DATES						COMPLETION DATES					
	ORIGINAL MO	YR	CURRENT MO	YR	ACTUAL MO	YR	ORIGINAL MO	YR	CURRENT MO	YR	ACTUAL MO	YR
PLANS			10	09					10	10		
DESIGN			10	10					06	14		
CONSTRUCTION			07	14					05	15		

EFFECTS ON OPERATING BUDGET (IN THOUSANDS)

TOTAL	SALARIES	MAINTENANCE	OTHER EXPENSES	UTILITIES
120	40	15	0	65

EXPECTED EXPENDITURES (IN THOUSANDS)

PART I: BY ELEMENTS	MOF	PRIOR YR	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	SUCC YR
PLANS	*	1,800	0	0	0	0	0	0	0	0	0
LAND ACQUISITION	*	0	0	0	0	0	0	0	0	0	0
DESIGN	*	6,200	0	0	5,000	0	0	0	0	0	0
CONSTRUCTION	*	0	0	0	0	33,000	0	0	0	0	0
EQUIPMENT	*	0	0	0	0	3,000	0	0	0	0	0
TOTAL COST		8,000	0	0	5,000	36,000	0	0	0	0	0

PART II: BY MEANS OF FINANCE	MOF	PRIOR YR	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	SUCC YR
G.O. BONDS	C	5,500	0	0	0	36,000	0	0	0	0	0
REVENUE BONDS	E	0	0	0	5,000	0	0	0	0	0	0
PRIVATE CONTRIBUTIONS	R	2,500	0	0	0	0	0	0	0	0	0
TOTAL COST		8,000	0	0	5,000	36,000	0	0	0	0	0

COST ELEMENTS	COST ESTIMATES		FINAL COST (\$1,000'S)
	ORIGINAL	(\$1,000'S) CURRENT	
PLANS	0	1,800	0
LAND ACQUISITION	0	0	0
DESIGN	0	11,200	0
CONSTRUCTION	0	33,000	0
EQUIPMENT	0	0	0
TOTAL	0	46,000	0

STATE APPROPRIATIONS (\$1,000'S)

SLH YR ACT	ITEM	TOTALS	PLANS	LAND ACQUISITION	DESIGN	CONSTRUCTION	EQUIPMENT
07 213	G-122	2,500	800	0	1,700	0	0
09 162	G-101	5,500	1,000	0	4,500	0	0
		41,000	0	0	5,000	33,000	3,000
TOTAL		49,000	1,800	0	11,200	33,000	3,000

SENATE DISTRICT	PRIORITY NUMBER	ISLAND	REP DISTRICT	PROJECT SCOPE	ITEM NUMBER	EXPENDING AGENCY
01		3 - HAWAII	002	N - NEW PROJECT		UOH

PROJECT TITLE:

UHH, COLLEGE OF PHARMACY AND OTHER HEALTH SCIENCES BUILDING, HAWAII

PROJECT DESCRIPTION:

DESIGN, CONSTRUCTION AND EQUIPMENT TO ESTABLISH THE PERMANENT SITE AND BUILDING FOR THE COLLEGE OF PHARMACY BUILDING. PROJECT TO INCLUDE GROUND AND SITE IMPROVEMENTS, DEVELOPMENT OF A NEW FACILITY, EQUIPMENT AND APPURTENANCES, AND ALL RELATED PROJECT COSTS.

TOTAL ESTIMATED PROJECT COST (\$1,000'S):

PRIOR APPROPRIATIONS:

SLH	YR	ACT	ITEM	TOTALS	PLANS	LAND ACQUISITION	DESIGN	CONSTRUCTION	EQUIPMENT
07	213		G-122	2,500	800	0	1,700	0	0
09	162		G-101	5,500	1,000	0	4,500	0	0
				41,000	0	0	5,000	33,000	3,000
TOTAL				49,000	1,800	0	11,200	33,000	3,000

APPROPRIATIONS:

PART I: BY ELEMENTS	MOF	PRIOR YR	FY 2011-12	FY 2012-13	REQUESTED		FUTURE YEARS	TOTAL PROJ COST
					FY 2013-14	FY 2014-15		
PLANS	*	1,800	0	0	0	0	0	1,800
LAND ACQUISITION	*	0	0	0	0	0	0	0
DESIGN	*	6,200	0	0	5,000	0	0	11,200
CONSTRUCTION	*	0	0	0	33,000	0	0	33,000
EQUIPMENT	*	0	0	0	0	3,000	0	3,000
TOTAL COST		8,000	0	0	38,000	3,000	0	49,000

PART II: BY MEANS OF FINANCE	MOF	PRIOR YR	FY 2011-12	FY 2012-13	REQUESTED		FUTURE YEARS	TOTAL PROJ COST
					FY 2013-14	FY 2014-15		
G.O. BONDS	C	5,500	0	0	33,000	3,000	0	41,500
REVENUE BONDS	E	0	0	0	5,000	0	0	5,000
PRIVATE CONTRIBUTIONS	R	2,500	0	0	0	0	0	2,500
TOTAL COST		8,000	0	0	38,000	3,000	0	49,000

A. TOTAL SCOPE OF PROJECT:

B. IDENTIFICATION OF NEED AND EVALUATION OF EXISTING SOLUTION:

C. ALTERNATIVES CONSIDERED AND IMPACT IF PROJECT IS DEFERRED:

D. DISCUSS WHAT IMPROVEMENTS WILL TAKE PLACE, WHEN PROJECT COMPLETED (INCLUDING BENEFITS TO BE DERIVED AND/OR DEFICIENCIES THIS PROJECT INTENDS TO CORRECT):

E. IMPACT UPON FUTURE OPERATING REQUIREMENTS (SHOW INITIAL AND ONGOING FUNDING REQUIREMENTS BY COST ELEMENT, INCLUDING POSITION COUNT, MEANS OF FINANCING, FISCAL YEAR):

F. ADDITIONAL INFORMATION:

TABLE R (5/97)

CAPITAL PROJECT INFORMATION AND JUSTIFICATION SHEET

Expending Agency	UOH
Program ID	UOH 210
Project Number	352

Island	Sen. District	Rep. District	Priority No.	Prev. Priority No.	Project Scope	Scope Codes	Date
Hawaii	1	2	3		N	N - New I - Renovation A - Addition R - Replacement O - Ongoing	27-Nov-2012

PROJECT TITLE: UHH College of Pharmacy and Other Health Sciences Building

PROJECT DESCRIPTION: Planning, Design, Construction and Equipment to establish the permanent site and building for the University College of Pharmacy Building. Project to include ground and site improvements, development of new facility, equipment and appurtenances, and all related project costs.

TOTAL ESTIMATED PROJECT COST (In Thousands of Dollars)

COST ELEMENT	PRIOR APPROPRIATIONS (Including MOF)						BUDGET REQUEST (Including MOF)		FUTURE YEARS	TOTAL PROJECT COST
	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	FY 2013-2014	FY 2014-2015		
PLANS	213-07-G122	162-09-G101								1,800
DESIGN	800 R	1,000 C								6,200
DESIGN	1,700 R	4,500 C								5,000
CONSTRUCTION							5,000			33,001
EQUIPMENT							33,000		3,000	6,000
TOTALS	2,500 R	5,500 C					38,000	3,000	36,001	85,001
							33,000 C	3,000 C	26,000 C	67,500 C
							0 N	0 N	5,000 N	5,000 N
TOTALS							5,000 E	0 E	1 E	7,501 E

PROJECT INFORMATION AND JUSTIFICATION:

a. Total scope of project.

This project will provide plan, design, construction and equipment of the College of Pharmacy and Other Health Sciences Building. The building will include classrooms, teaching labs, offices, and related spaces in accord to Accreditation Council of Pharmacy Education-ACPE standards and guidelines.

b. Identification of need and evaluation of existing situation.

Hawaii is one of only a few states that does not have Pharmacy education. Health professional workforce shortages for pharmacy is expected to increase overtime. Proactive education of a new generation of pharmacy health professionals by a COP will ensure quality health care and anchor an adequate workforce in the state. Hawaii's citizens are forced to study elsewhere when they select a career in pharmacy. After education, they will most likely secure and sustain their career elsewhere and thus not bring their talents home to promote health and quality health care for people in the state of Hawaii.

c. Alternatives considered and impact if project is deferred.

Should Hawaii's COP not have a building for adequate space to conduct its mission and vision, the COP's application for accreditation to ACPE will be in jeopardy. Without a new building, the COP will not be competitive in recruiting the best faculty. Ultimately, the quality of the faculty affects the stature of the COP, which is also reflected in ACPE standards.

d. Discuss what improvements will take place when project is completed (including benefits to be derived and/or deficiencies this project intends to correct)

The building provides the infrastructure for the Pharm. D. program at UHH, which will be the largest graduate program (enrollment of 80 students/year) and the most vibrant doctoral program on the campus. This program will increase the quality and offerings of science courses at the university, and will bring UH Hilo the expertise in quality academic science curriculum that will benefit the university at large. In the COP's building there will be adequate space for scientific endeavors, and thus research and discoveries will take on a vibrant course for faculty, students and translational science will benefit communities and people in the state of Hawaii and globally.

e. Impact upon future operating requirements (show initial and ongoing funding requirements by cost element, including position count, means of financing, fiscal year)

\$120,000 for FY 13: \$65,000 utilities: \$15,000 supplies and maintenance, \$40,000 salaries.

f. Additional information.

UH Hilo's academic vision is to create a COP that will be ranked in the top 20 nationally and to increase its ranking in due course. Without a new building, the COP will not be competitive in recruiting the best faculty. Ultimately, the quality of the faculty affects the stature of the COP, which is also reflected in ACPE standards. ACPE standards and guidelines are one of the benchmarks in moving forward in planning a COP building. UH Hilo is marching forward with confidence that the applications for ACPE accreditation will be successful.