



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. 2410

January 29, 2014

RELATING TO CAPITAL IMPROVEMENT PROJECTS

Senate Bill No. 2410 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.

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). For your reference, attached are samples of Tables P, Q and R which were used for the FY 15 Supplemental Budget preparation and review process. Table Q, which indicates expected expenditures, 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 most 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, are subject to change and have not been reviewed in detail, as operating budget requests are, by B&F.

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

Attachment

SENATE DISTRICT	PRIORITY NUMBER	ISLAND	REP DISTRICT	PROJECT SCOPE	ITEM NUMBER	EXPENDING AGENCY
00	1	0 - STATEWIDE	000	N - NEW PROJECT		AGR

PROJECT TITLE:
 PROJECT TITLE, ISLAND

PROJECT DESCRIPTION:
 PLANS, LAND ACQUISITION, DESIGN, CONSTRUCTION AND EQUIPMENT FOR NEW PROJECT. COST ELEMENT LANGUAGE MUST MATCH COST ELEMENTS FOR REQUESTED APPROPRIATION IN PART I. DESCRIPTION SHOULD PROVIDE AN OVERALL SCOPE OF WORK.

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	*	0	0	0	0	1	0	0	0	0	0
LAND ACQUISITION	*	0	0	0	0	1	0	0	0	0	0
DESIGN	*	0	0	0	0	1	0	0	0	0	0
CONSTRUCTION	*	0	0	0	0	1	0	0	0	0	0
EQUIPMENT	*	0	0	0	0	1	0	0	0	0	0
TOTAL COST		0	0	0	0	5	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	0	0	0	0	5	0	0	0	0	0
TOTAL COST		0	0	0	0	5	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	ORIGINAL MO YR	CURRENT MO YR	ACTUAL MO YR	ORIGINAL MO YR	CURRENT MO YR	ACTUAL MO YR
PLANS	07	14					12	14				
SITE SELECTION	01	15					03	15				
SITE ACQUISITION	04	15					05	15				
DESIGN	05	15					12	15				
CONSTRUCTION	12	15					06	16				
EQUIPMENT	06	15					07	16				
OCCUPANCY	07	15					07	16				

EFFECTS ON OPERATING BUDGET (IN THOUSANDS)

TOTAL	SALARIES	MAINTENANCE	OTHER EXPENSES	UTILITIES
25,992	19,998	1,998	1,998	1,998

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	*	0	0	0	0	2	0	0	0	0	0
LAND ACQUISITION	*	0	0	0	0	2	0	0	0	0	0
DESIGN	*	0	0	0	0	2	0	0	0	0	0
CONSTRUCTION	*	0	0	0	0	0	2	0	0	0	0
EQUIPMENT	*	0	0	0	0	0	2	0	0	0	0
TOTAL COST		0	0	0	0	6	4	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	0	0	0	0	6	4	0	0	0	0
TOTAL COST		0	0	0	0	6	4	0	0	0	0

COST ELEMENTS	COST ESTIMATES ORIGINAL	(\$1,000'S) CURRENT	FINAL COST (\$1,000'S)
PLANS	1	0	0
LAND ACQUISITION	1	0	0
DESIGN	1	0	0
CONSTRUCTION	1	0	0
EQUIPMENT	1	0	0
TOTAL	5	0	0

STATE APPROPRIATIONS (\$1,000'S)

SLH YR ACT	ITEM	TOTALS	PLANS	LAND ACQUISITION	DESIGN	CONSTRUCTION	EQUIPMENT
TOTAL		0	0	0	0	0	0

SENATE DISTRICT	PRIORITY NUMBER	ISLAND	REP DISTRICT	PROJECT SCOPE	ITEM NUMBER	EXPENDING AGENCY
00	1	0 - STATEWIDE	000	N - NEW PROJECT		AGR

PROJECT TITLE:
 PROJECT TITLE, ISLAND

PROJECT DESCRIPTION:
 PLANS, LAND ACQUISITION, DESIGN, CONSTRUCTION AND EQUIPMENT FOR NEW PROJECT. COST ELEMENT LANGUAGE MUST MATCH COST ELEMENTS FOR REQUESTED APPROPRIATION IN PART I. DESCRIPTION SHOULD PROVIDE AN OVERALL SCOPE OF WORK.

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

PRIOR APPROPRIATIONS:

SLH YR ACT	ITEM	TOTALS	PLANS	LAND ACQUISITION	DESIGN	CONSTRUCTION	EQUIPMENT
		0	0	0	0	0	0

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	*	0	0	0	0	1	0	1
LAND ACQUISITION	*	0	0	0	0	1	0	1
DESIGN	*	0	0	0	0	1	0	1
CONSTRUCTION	*	0	0	0	0	1	0	1
EQUIPMENT	*	0	0	0	0	1	0	1
TOTAL COST		0	0	0	0	5	0	5

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	0	0	0	0	5	0	5
TOTAL COST		0	0	0	0	5	0	5

REPORT: TABLE R - CAPITAL PROJECT INFORMATION AND JUSTIFICATION SHEET
PROGRAM ID: AGR-101 CAPITAL PROJECT: 123456

A. TOTAL SCOPE OF PROJECT:
TO BE COMPLETED BY DEPARTMENT.

B. IDENTIFICATION OF NEED AND EVALUATION OF EXISTING SOLUTION:
TO BE COMPLETED BY DEPARTMENT.

C. ALTERNATIVES CONSIDERED AND IMPACT IF PROJECT IS DEFERRED:
TO BE COMPLETED BY DEPARTMENT.

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

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

F. ADDITIONAL INFORMATION:
TO BE COMPLETED BY DEPARTMENT.