

TESTIMONY BY WESLEY K. MACHIDA
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STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 102

February 11, 2015

RELATING TO BUDGETING

Senate Bill No. 102 proposes to amend Chapter 37, HRS, Budget, to change the information required in the Variance Report submitted to the Legislature. The proposed change is to include the data from the last completed fiscal year and the fiscal year immediately preceding that year, instead of data from the last completed fiscal year and estimated data for the fiscal year in progress. The bill also repeals the requirement that the Program Memoranda be submitted to the Legislature before the regular sessions of odd-numbered years. Further, the bill requires the Legislative Auditor to conduct an audit of the first two Variance Reports required under this measure.

The Department of Budget and Finance has concerns regarding this bill. First, there may be technical issues with changing the format of the Variance Report. We are uncertain that the reprogramming necessary to change the format of the Variance Report can be done within the given timeframe or at all because the initial file from which the Variance Report originates must be generated by the State's mainframe system. As such, we are very hesitant about making changes that require reprogramming of mainframe jobs due to the age of the system and potential impacts to the Variance Report and other budget jobs that run off the mainframe. Our eVARIANCE web-based data collection system will also have to be reprogrammed to accommodate the proposed changes.

Second, the Program Structure, upon which the Variance Report is primarily based, is developed in conjunction with the Executive Budget in even-numbered years and includes the effectiveness measures and program size indicators (i.e., target groups and activities) for the proposed Executive Budget, not the enacted Executive Budget. Because the Program Structure is not amended to reflect the Budget Act, Variance Report data for programs which were changed in the Budget Act may not be accurate or available. Also, because the Variance Report is prepared annually and crosses biennium, there may be cases where year-to-year comparisons are not possible.

While we acknowledge that these situations already exist, the Legislature should be aware of the current limitations of the Variance Report which are inherent in the current system. It appears that the Variance Report expenditure data desired by the Legislature would be part and parcel of the new Enterprise Resource Planning system, which is not yet available.

Third, we are uncertain that the proposed format, which would include two prior completed fiscal years, would provide the Legislature with additional meaningful data. Currently, the Variance Report is prepared and submitted to the Legislature annually and, as such, the Legislature has access to such data, albeit in separate Variance Reports.

In conclusion, instead of revising the Variance Report we strongly believe it may be more valuable to embark on a thorough review and update of the effectiveness measures and program size indicators to ensure that they are truly significant to the programs. This review could encompass incorporating certain efficiency measures proposed in Senate Bill No. 104.

When the State of Hawaii developed the Program Planning and Budgeting (PPB) System in the late 1960s, there was a significant commitment and commensurate effort by the Administration and the Legislature to provide manpower (e.g., dedicated staff and consultant services) and funding to introduce PPB and to train State managers. Nearly 50 years later, it may be time to renew our commitment to PPB in order for it to help provide clearer direction for our program managers and data that is more useful in the decision-making process to both the Executive Branch and the Legislature.