



EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

July 11, 2017

**GOV. MSG. NO. 1271**

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Ninth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,  
Speaker and Members of the  
House of Representatives  
Twenty-Ninth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

I am transmitting herewith SB722 SD1 HD1 CD1, without my approval and with the statement of objections relating to the measure.

SB722 SD1 HD1 CD1

RELATING TO EFFICIENCY MEASURES

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai'i

EXECUTIVE CHAMBERS

HONOLULU

July 11, 2017

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 722

Honorable Members  
Twenty-Ninth Legislature  
State of Hawai'i

Pursuant to Section 16 of Article III of the Constitution of the State of Hawai'i, I am returning herewith, without my approval, Senate Bill No. 722, entitled "A Bill for an Act Relating to Efficiency Measures."

The purpose of this bill is to recommence the efficiency measures pilot project that was established under Act 67, Session Laws of Hawaii 2015. This bill requires the Director of Finance and a selected state department to conduct the recommenced pilot project with the intent of addressing several issues, including the formulation of the best definition of "efficiency measure" to be used for state budgeting, development of program expectations, determination of appropriate benchmarks, and determination of optimal program funding levels. The Director of Finance must select a department by August 1, 2017, to participate in the pilot project.

This bill is objectionable because, by imposing additional requirements for data collection on our state budget system, this bill would require the re-programming of older software on our mainframe computers at a time when the State is upgrading its information technology systems to cloud-based applications. I believe that our limited state resources would be better spent updating our budget information technology programs into cloud-based applications.

STATEMENT OF OBJECTIONS  
SENATE BILL NO. 722  
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For the foregoing reasons, I am returning Senate Bill No. 722 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large, sweeping flourish at the end.

DAVID Y. IGE  
Governor of Hawai'i

P R O C L A M A T I O N

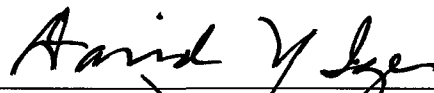
WHEREAS, under Section 16 of Article III of the Constitution of the State of Hawai'i, the Governor is required to give notice, by a proclamation, of the Governor's plan to return with the Governor's objections any bill presented to the Governor less than ten days before adjournment sine die or presented to the Governor after adjournment sine die of the Legislature; and

WHEREAS, Senate Bill No. 722, entitled "A Bill for an Act Relating to Efficiency Measures," passed by the Legislature, was presented to the Governor within the aforementioned period; and

WHEREAS, Senate Bill No. 722 is unacceptable to the Governor of the State of Hawai'i;

NOW, THEREFORE, I, DAVID Y. IGE, Governor of the State of Hawai'i, do hereby issue this proclamation, pursuant to the provisions of Section 16 of Article III of the Constitution of the State of Hawai'i, giving notice of my plan to return Senate Bill No. 722 with my objections thereon to the Legislature as provided by said Section 16 of Article III of the Constitution.

DONE at the State Capitol, Honolulu,  
State of Hawai'i, this 11  
day of July, 2017.



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DAVID Y. IGE  
Governor of Hawai'i

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# A BILL FOR AN ACT

RELATING TO EFFICIENCY MEASURES.

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

1           SECTION 1. The legislature finds that, at present,  
2 projections of state general fund revenues are not particularly  
3 robust. Thus, the legislature finds that the budgetary  
4 situation of the State may require more scrutiny in the future  
5 to better control appropriations.

6           Present state budget documents do not include efficiency  
7 measures tied to appropriation requests. The legislature finds  
8 that efficiency measures may provide data to enhance the level  
9 of scrutiny and help the legislature make difficult budget  
10 decisions to improve and continue important programs on a  
11 sustainable basis. The Executive Budget Act, chapter 37, part  
12 IV, Hawaii Revised Statutes, requires that state budget  
13 documents include measures of effectiveness. Together,  
14 efficiency measures and the measures of effectiveness may  
15 provide additional, complementary tools by which the legislature  
16 evaluates programs and budget requests.

17           In 2015, the legislature believed that, before requiring  
18 the inclusion of efficiency measures in state budget documents,



1 a determination should be made regarding whether efficiency  
2 measures may be formulated, collected, and analyzed by the  
3 department of budget and finance and other state agencies in a  
4 practical and cost-effective manner. Act 67, Session Laws of  
5 Hawaii 2015, established an efficiency measures pilot project  
6 intended to provide the legislature with the information  
7 necessary to make that determination.

8 Act 67 required the department of budget and finance to  
9 submit a report on the pilot project to the legislature before  
10 the convening of the regular session of 2017. The department of  
11 budget and finance submitted the report on December 30, 2016.  
12 The report raised certain concerns, such as the proper  
13 definition of efficiency measures and the resources necessary to  
14 provide data on efficiency measures. Because of the concerns,  
15 the report recommended further discussion with the legislature  
16 on the issue.

17 The legislature finds that the concerns raised in the  
18 report are valid and should be addressed. However, the  
19 legislature also finds that instead of engaging in further  
20 discussion, the legislature should recommence the pilot project  
21 with clearer expectations and objectives, most of which were



1 cited in the report. The legislature intends that the  
2 recommenced pilot project result in a more intensive effort on  
3 the part of the department of budget and finance and the  
4 selected state department. Ultimately, the legislature intends  
5 that the pilot project produce better data and clearer  
6 determination of the benefits, appropriateness, and value of  
7 efficiency measures.

8 The purpose of this Act is to recommence the efficiency  
9 measures pilot project first established under Act 67, Session  
10 Laws of Hawaii 2015.

11 The legislature notes that this Act includes general fund  
12 appropriations of \$50,000 each for fiscal year 2017-2018 and  
13 fiscal year 2018-2019 for the conduct of the pilot project. The  
14 legislature also notes that the general fund appropriation of  
15 \$100,000 for fiscal year 2015-2016 under Act 67, Session Laws of  
16 Hawaii 2015, for the pilot project was not expended.  
17 Consequently, for the purpose of the State's financial plan, the  
18 legislature intends that the appropriations under this Act be  
19 regarded as cost-neutral.

20 SECTION 2. Act 67, Session Laws of Hawaii 2015, is amended  
21 as follows:



1 1. By amending sections 2 to 5 to read:

2 "SECTION 2. For the purposes of this Act:

3 "Budget document" means the multi-year program and  
4 financial plan, executive budget, or supplemental budget.

5 [~~"Costs"~~] "Cost" means the sum of research and development  
6 costs and operating costs as those terms are defined under  
7 section 37-62, Hawaii Revised Statutes.

8 [~~"Budget document" means the multi-year program and~~  
9 ~~financial plan, executive budget, or supplemental budget.~~]

10 "Direct cost" means the cost directly allocable to the  
11 production of a thing or service, including the cost of  
12 supervisory, line, and support staff's salaries, wages, and  
13 fringe benefits, supplies, equipment, facilities, and utilities;  
14 provided that the director of finance may refine this definition  
15 if the director deems it necessary or appropriate.

16 "Efficiency measure" means the [~~costs within the lowest~~  
17 ~~level of a program to provide a single unit of an activity or~~  
18 ~~effectiveness measure of that level of the program.~~] direct cost  
19 to the State to do or produce something or some service without  
20 wasting funds, material, time, or energy.





1        "Measure of effectiveness" has the same meaning as  
2        "effectiveness measure," as the latter term is defined under  
3        section 37-62, Hawaii Revised Statutes.

4        "Program" means the same as defined in section 37-62,  
5        Hawaii Revised Statutes.

6        "State department" means any of the principal departments  
7        listed under section ~~[26-34,]~~ 26-4, Hawaii Revised Statutes.

8        SECTION 3. (a) The director of finance shall select one  
9        state department to participate in a pilot project for the  
10       establishment of and data collection for efficiency measures  
11       intended to be included with the budget documents submitted to  
12       the legislature ~~[after]~~ for the fiscal biennium ~~[2015-2017.]~~  
13       2019-2021. To the extent possible, the director of finance  
14       shall select a state department in which the executive head is  
15       willing to participate in the pilot project.

16       The director of finance ~~[may transfer a portion of the~~  
17       ~~appropriation made under this Act to the selected state~~  
18       ~~department for its participation in the pilot project.]~~ shall  
19       select the state department by August 1, 2017.



1        (b) The director of finance and selected state department  
2 shall conduct the pilot project with the intent of addressing  
3 the following issues:

4        (1) The formulation of the best definition of "efficiency  
5 measure" to be used for state budgeting;

6        (2) The development of program expectations using  
7 efficiency measures with corresponding measures of  
8 effectiveness;

9        (3) The determination, based on efficiency measures and  
10 measures of effectiveness, of appropriate benchmarks  
11 for programs;

12        (4) The determination of optimal funding levels for  
13 programs based on appropriate efficiency measures and  
14 measures of effectiveness;

15        (5) The benefits and detriments of preparing, collecting  
16 data on, and analyzing efficiency measures; and

17        (6) The estimated cost to prepare, collect data on, and  
18 analyze efficiency measures.

19        SECTION 4. (a) No later than a deadline to be established  
20 by the director of finance, the selected state department shall



1 submit at least three proposed efficiency measures to the  
2 director.

3 (b) After receiving the proposed efficiency measures and  
4 consulting with the selected state department, the director of  
5 finance shall approve the efficiency measures to be used by the  
6 selected state department. The director of finance may approve  
7 efficiency measures that differ from those proposed by the  
8 selected state department. The director of finance shall  
9 approve the efficiency measures by January 1, 2018, and notify  
10 the legislature within ten days of the approval.

11 (c) If the selected state department does not submit  
12 proposed efficiency measures by the deadline established by the  
13 director of finance under subsection (a), the director of  
14 finance shall formulate and approve the efficiency measures by  
15 January 1, 2018, and notify the legislature within ten days of  
16 the approval.

17 SECTION 5. No later than twenty days prior to the  
18 convening of the regular session of [~~2017,~~] 2019, the director  
19 of finance, after consulting with the selected state department,  
20 shall submit to the legislature a report that includes the  
21 following [~~to the legislature~~]:



1 (1) The actual level of the efficiency measures attained  
2 in the fiscal year [~~2015-2016,~~] 2017-2018, the  
3 estimated level of the efficiency measures for the  
4 fiscal year [~~2016-2017,~~] 2018-2019, and the estimated  
5 level for each of the next six fiscal years. The  
6 percentage change from fiscal year to fiscal year of  
7 the efficiency measures also shall be reported;

8 (2) A narrative and comments on the change in efficiency  
9 measures from fiscal year to fiscal year[~~7~~] and  
10 [~~(3)~~ Any] any intended action to improve efficiency[~~-~~];

11 (3) Data on the cost incurred by the department of budget  
12 and finance and the selected state department for the  
13 performance of duties under the pilot project;

14 (4) A discussion of findings on the issues listed under  
15 section 3(b)(1) to (6); and

16 (5) A recommendation on whether to require the inclusion  
17 of efficiency measures for every state department,  
18 commencing with the budget documents for the fiscal  
19 biennium 2021-2023.

20 The [~~information~~] report shall be submitted concurrently  
21 with, but need not be included in, the budget documents for the



1 executive budget for the fiscal biennium [~~2017-2019.~~] 2019-  
2 2021."

3 2. By amending section 8 to read:

4 "SECTION 8. There is appropriated out of the general  
5 revenues of the State of Hawaii the sum of [~~\$100,000~~] \$50,000 or  
6 so much thereof as may be necessary for fiscal year [~~2015-2016~~]  
7 2017-2018 and the same sum or so much thereof as may be  
8 necessary for fiscal year 2018-2019 for the recommenced  
9 efficiency measures pilot project required under this Act [~~-~~], as  
10 amended by Act \_\_\_\_\_, Session Laws of Hawaii 2017.

11 The [~~sum~~] sums appropriated shall be expended by the  
12 department of budget and finance for the purposes of this Act [~~+~~  
13 ~~provided that any unexpended or unencumbered moneys appropriated~~  
14 ~~pursuant to this section shall lapse on June 30, 2017]~~."

15 3. By repealing sections 6 and 7.

16 [~~"SECTION 6. The director of finance, after consulting~~  
17 ~~with the selected state department, shall submit a report to the~~  
18 ~~legislature on the findings and recommendations resulting from~~  
19 ~~the pilot project. The report shall be submitted no later than~~  
20 ~~twenty days prior to the convening of the regular session of~~  
21 ~~2017 and shall include a recommendation on whether to require~~



1 ~~the inclusion of efficiency measures for every state executive~~  
2 ~~department, commencing with the budget documents for the fiscal~~  
3 ~~biennium 2019-2021. The report also shall include data on the~~  
4 ~~cost incurred by the department of budget and finance and the~~  
5 ~~selected state department for the performance of duties of the~~  
6 ~~pilot project.~~

7 ~~SECTION 7. No later than March 1, 2017, the auditor shall~~  
8 ~~submit a report to the legislature evaluating the pilot project,~~  
9 ~~including findings and recommendations on the pilot project."]~~

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

12 SECTION 4. This Act shall take effect on July 1, 2017.

APPROVED this                      day of                      , 2017

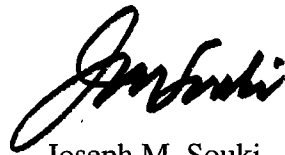
GOVERNOR OF THE STATE OF HAWAII

SB No. 722, SD 1, HD 1, CD 1


THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017  
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki  
Speaker  
House of Representatives





Brian L. Takeshita  
Chief Clerk  
House of Representatives

**THE SENATE OF THE STATE OF HAWAII**

Date: May 2, 2017  
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the  
Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.

  
President of the Senate

  
Clerk of the Senate