

JAN 20 2017

A BILL FOR AN ACT

RELATING TO NON-DISCRETIONARY COSTS.

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

1 SECTION 1. The purpose of this Act is to address non-
2 discretionary costs.

3 More specifically, this Act requires the department of
4 budget and finance to report certain data on non-discretionary
5 costs. The data are intended to provide alternative views of
6 the burden of non-discretionary costs on the general fund.

7 The legislature finds that data on the impacts and trends
8 of non-discretionary costs paid with general funds are necessary
9 to provide indicators regarding the budgetary situation of the
10 State. If the burden of non-discretionary costs, especially
11 fixed costs for debt service and state employee fringe benefits,
12 becomes too high, support for other worthy discretionary
13 programs may suffer. In order to avoid this predicament, the
14 legislature finds that monitoring of the non-discretionary cost
15 burden must be constant and vigilant. The legislature requires
16 data on impacts and trends in order to make corrective actions
17 early before the advent of crises.



1 The legislature further finds that the state debt
 2 affordability study submitted in December of 2016 by the
 3 department of budget and finance pursuant to chapter 37C, part
 4 II, Hawaii Revised Statutes, includes various indicators of the
 5 state debt and fixed costs burden. The data required by this
 6 Act is intended to supplement the findings of that study and
 7 future studies.

8 SECTION 2. Chapter 37C, Hawaii Revised Statutes, is
 9 amended by adding a new part to be appropriately designated and
 10 to read as follows:

11 **"PART . NON-DISCRETIONARY COST RATIOS**

12 **§37C-A Definitions.** For the purpose of this part:

13 "Expenditures in a fiscal year of the general fund
 14 appropriations for non-discretionary costs for that fiscal year"
 15 means the sum of the following:

- 16 (1) Expenditures in a fiscal year of the general funds
 17 appropriated to be expended for non-discretionary
 18 costs for that fiscal year; and
- 19 (2) Encumbrances on June 30 of that fiscal year of the
 20 general funds appropriated to be expended for non-
 21 discretionary costs for that fiscal year.



1 The "expenditures in a fiscal year" under paragraph (1) shall
2 not include any expenditures in the fiscal year of an
3 encumbrance on June 30 of any previous fiscal year.

4 "Fixed costs" means the following types of costs:

- 5 (1) Debt service payments for general obligation bonds;
- 6 (2) Employer contributions for pension and retirement
7 benefits of state government employees; and
- 8 (3) Employer contributions for health insurance benefits
9 of state government employees and state government
10 retirees.

11 "Gross state product" means the value added in production
12 by the labor and property located in the State, as identified or
13 estimated by the department of business, economic development,
14 and tourism by reference to another source or its own
15 calculation.

16 "Medicaid service costs" means the costs of services
17 provided to low-income persons under the medical assistance
18 program established under chapter 346 and funded in part under
19 Title XIX of the Federal Social Security Act, as amended. The
20 term does not include the costs of management, administrative,



1 or other overhead services performed by the department of human
2 services for medicaid.

3 "Modified general funded non-discretionary costs coverage
4 ratio for a fiscal year" means the ratio calculated for a fiscal
5 year by dividing the difference under paragraph (1) by the
6 difference under paragraph (2):

7 (1) The difference between:

8 (A) General fund revenues collected in the fiscal
9 year; and

10 (B) General fund revenues collected in the previous
11 fiscal year; and

12 (2) The difference between:

13 (A) Expenditures in the fiscal year of the general
14 fund appropriation for non-discretionary costs
15 for that fiscal year; and

16 (B) Expenditures in the previous fiscal year of the
17 general fund appropriation for non-discretionary
18 costs for that fiscal year.

19 "Non-discretionary costs" means fixed costs and medicaid
20 service costs.



1 "Per capita general funded non-discretionary costs for a
2 fiscal year" means the amount of general funded non-
3 discretionary costs per resident of the State, calculated by
4 dividing the amount under paragraph (1) by the amount under
5 paragraph (2):

6 (1) The expenditures in a fiscal year of the general fund
7 appropriations for non-discretionary costs for that
8 fiscal year; and

9 (2) The resident population of the State in that fiscal
10 year, as identified or estimated by the department of
11 business, economic development, and tourism by
12 reference to another source or its own calculation.

13 "Percentage of general funded non-discretionary costs to
14 general fund revenues for a fiscal year" means the percentage
15 calculated by dividing the amount under paragraph (1) by the
16 amount under paragraph (2):

17 (1) The expenditures in a fiscal year of the general fund
18 appropriations for non-discretionary costs for that
19 fiscal year; and

20 (2) The general fund revenues collected in that fiscal
21 year.



1 "Percentage of general funded non-discretionary costs to
2 gross state product" means the percentage calculated by dividing
3 the amount under paragraph (1) by the amount under paragraph
4 (2):

- 5 (1) The expenditures in a fiscal year of the general fund
- 6 appropriations for non-discretionary costs for that
- 7 fiscal year; and
- 8 (2) The gross state product in that fiscal year.

9 "Percentage of non-discretionary costs to personal income"
10 means the percentage calculated by dividing the amount under
11 paragraph (1) by the amount under paragraph (2):

- 12 (1) The expenditures in a fiscal year of the general fund
- 13 appropriations for non-discretionary costs for that
- 14 fiscal year; and
- 15 (2) The personal income in that fiscal year.

16 "Personal income" means the income received by all persons
17 in the State for participation in production, from government
18 and business transfer payments, and from government interest, as
19 identified or estimated by the department of business, economic
20 development, and tourism by reference to another source or its
21 own calculation.



1 **§37C-B Report of expended non-discretionary cost data.**

2 (a) By September 30 of each fiscal year, the department of
3 budget and finance shall submit a report to the governor and
4 legislature that specifies the following:

5 (1) Percentage of general funded non-discretionary costs
6 to general fund revenues for the previous fiscal year;

7 (2) Per capita general funded non-discretionary costs for
8 the previous fiscal year;

9 (3) Percentage of general funded non-discretionary costs
10 to gross state product for the previous fiscal year;

11 (4) Percentage of general funded non-discretionary costs
12 to personal income for the previous fiscal year; and

13 (5) Modified general funded non-discretionary costs
14 coverage ratio for the previous fiscal year.

15 (b) The report shall include the following:

16 (1) The amounts used to calculate the data under
17 subsection (a)(1), (2), (3), (4), and (5); and

18 (2) A comparison of the data for the previous fiscal year
19 against the data for the five fiscal years preceding
20 that fiscal year.



1 (c) If, by the September 30 reporting deadline, the non-
2 discretionary expenditures and encumbrances or general fund
3 revenues collected are not final for the previous fiscal year,
4 the department of budget and finance shall submit the report
5 with a notation that the data are "preliminary".

6 **§37C-C Report of proposed non-discretionary cost**

7 **appropriation data.** (a) Not fewer than thirty days before the
8 convening of each regular session of the legislature, the
9 department of budget and finance shall submit a report to the
10 governor and legislature that specifies the following:

11 (1) Percentage of general funded non-discretionary costs
12 to general fund revenues;

13 (2) Per capita general funded non-discretionary costs;

14 (3) Percentage of general funded non-discretionary costs
15 to gross domestic state product;

16 (4) Percentage of general funded non-discretionary costs
17 to personal income; and

18 (5) Modified general funded non-discretionary costs
19 coverage ratio;

20 proposed in the general appropriations bill or supplemental
21 appropriations bill, as applicable, for the next fiscal year.



- 1 (b) The report shall include the following:
- 2 (1) The amounts used to calculate the data under
- 3 subsection (a)(1), (2), (3), (4), and (5); and
- 4 (2) A comparison of the data proposed for the next fiscal
- 5 year against the data for the other fiscal years
- 6 covered by the applicable six-year program and
- 7 financial plan.

8 (c) The department of budget and finance may submit the

9 report as part of or separate from the executive budget or

10 supplemental budget submitted to the legislature pursuant to

11 section 37-71 or section 37-72, as applicable.

12 **§37C-D Other appropriations and expenditures classified as**

13 **"non-discretionary" or "fixed".** (a) This part shall not

14 prohibit the department of budget and finance from classifying

15 appropriations and expenditures for other programs as "non-

16 discretionary" or "fixed" for the purpose of preparing the

17 executive budget or supplemental budget.

18 (b) The department of budget and finance may include in

19 the reports required under section 37C-B and section 37C-C

20 information on other costs classified as "non-discretionary" or

21 "fixed" under subsection (a).





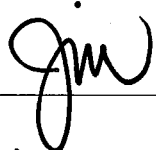

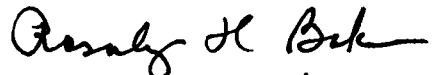





1 §37C-E Data on non-general fund appropriations and
 2 expenditures for non-discretionary costs. The department of
 3 budget and finance may submit reports with data on
 4 appropriations and expenditures of non-general funds for non-
 5 discretionary costs that are similar to data required under
 6 section 37C-B and section 37C-C for general fund appropriations
 7 and expenditures for non-discretionary costs."

8 SECTION 3. In codifying the new sections added by section
 9 2 of this Act, the revisor of statutes shall substitute
 10 appropriate section numbers for the letters used in designating
 11 the new sections in this Act.

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

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S.B. NO. 724

Report Title:

Non-discretionary Costs; Reporting of Data

Description:

Requires the Department of Budget and Finance to submit reports with data on general fund appropriations and expenditures for non-discretionary costs.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

