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**WRITTEN ONLY**  
TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 724

**March 21, 2017**  
**2:00 p.m.**  
**Room 308**

**RELATING TO NON-DISCRETIONARY COSTS**

Senate Bill No. 724 amends Chapter 37C, HRS, by adding a new part called "Non-Discretionary Cost Ratios", which includes reporting requirements on the following: 1) percentage of general fund non-discretionary costs to general fund revenues; 2) per capita general fund non-discretionary costs; 3) percentage of general fund non-discretionary costs to gross state product; 4) percentage of general fund non-discretionary costs to personal income; and 5) modified general funded non-discretionary costs coverage ratios. Senate Bill No. 724 requires the Department of Budget and Finance (B&F) to prepare a report that includes information for the current fiscal year, the preceding five fiscal years as well as the fiscal years covered by the applicable six-year program and financial plan.

B&F offers the following comments on this measure. We would prefer providing a historical report of the data as opposed to using estimates to produce estimated indices for current and future fiscal years. Using projections for fiscal years other than those with actual data would be progressively less reliable the farther out the projection.

B&F recommends limiting the reporting period to fiscal years for which actual data is available.

The Department of Business, Economic Development and Tourism indicates that there is a one year lag before actual personal income data is available. For gross domestic product, the lag time is increased to two years. B&F would like to propose that the economic indices proposed by this measure be revised to coincide with the availability of actual data.

Thank you for your consideration of our comments.