

Honolulu, Hawaii  
**January 29**, 2019RE: H.B. No. 2  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2  
entitled:

"A BILL FOR AN ACT RELATING TO THE STATE BUDGET,"

begs leave to report as follows:

The purpose of this measure is to appropriate funds for the  
operating costs of the Executive Branch for fiscal year (FY) 2019-  
2020 and FY 2020-2021.

As introduced, this budget appropriates:

	<u>FY 2019-2020</u>	<u>FY 2020-2021</u>
General Funds	\$7,868,570,182	\$8,109,782,948
All Means of Financing	\$14,741,686,946	\$14,986,675,227

This base budget includes:

- (1) FY 2018-2019 appropriation levels enacted in Act 53,  
Session Laws of Hawaii (SLH) 2018;
- (2) The addition of previously appropriated collective  
bargaining amounts included in numerous bills enacted in  
2017 and 2018;



- (3) The addition of full funding for positions funded only for six months in Act 53, SLH 2018;
- (4) The adjustment of amounts necessary to fulfill Employees' Retirement System, Employer-Union Health Benefits Trust Fund, debt service, and Medicaid requirements in the biennium; and
- (5) The reduction of non-recurring amounts identified in the 2017 and 2018 Executive branch budget worksheets issued by the Legislature.

Your Committee notes that trade-offs and transfers are not approved in this budget.

Testimony received on this measure can be found at the Legislature's website at <https://www.capitol.hawaii.gov/>

Your Committee has amended this measure by removing certain programs and appropriations for further evaluation by their respective subject matter committees.

This amended budget appropriates:

	<u>FY 2019-2020</u>	<u>FY 2020-2021</u>
General Funds	\$4,696,168,015	\$4,891,224,698
All Means of Financing	\$8,374,595,630	\$8,571,028,943

Your Committee notes that as a concept, the Planning, Programming, and Budgeting (PPB) System, commonly known as performance-based budgeting, has existed since the 1960s.

Hawaii was the first state in the country to adopt a performance-based budgeting system. PPB had its experimental beginnings in Hawaii in 1966, and was officially enacted as Act 185, SLH 1970. Chapter 37, Hawaii Revised Statutes (HRS), implements that Act.

Act 185, SLH 1970, included a Statement of Policy that still exists today as HRS section 37-63:

*§37-63 Statement of policy. It is the purpose of this part to establish a comprehensive system for state program and financial management which furthers the*



*capacity of the governor and the legislature to plan, program and finance the programs of the State. The system shall include procedures for:*

- (1) The orderly establishment, continuing review and periodic revision of the state program and financial objectives and policies.*
- (2) The development, coordination and review of long-range program and financial plans that will implement established state objectives and policies.*
- (3) The preparation, coordination and analysis, and enactment of a budget organized to focus on state programs and their costs, that authorizes the implementation of the long-range plans in the succeeding budget period.*
- (4) The evaluation of alternatives to existing objectives, policies, plans and procedures that offer potential for more efficient and effective use of state resources.*
- (5) The regular appraisal and reporting of program performance.*

Your Committee finds that although PPB, performance measures, and outcomes exist in laws and budget documents, they need to be updated and made more relevant to the policies, goals, and priorities of current government programs.

All House Committees have an opportunity to take part in the update, improvement, and advancement of PPB by reviewing requests for additional positions and funds by:

- (1) Asking questions about program objectives, activities, and measures;*
- (2) Determining if existing resources are being budgeted efficiently; and*
- (3) Examining whether programs are achieving desired outcomes for their respective constituents.*



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,

  
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SYLVIA LUKE, Chair



