

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1996**

**February 23, 2022
2:00 p.m.
Room 308 and Videoconference**

RELATING TO NON-GENERAL FUND REPORTS

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 1996, amends Chapter 37, HRS, to require that annual non-general fund (NGF) reports include a summary of target population information and measures of effectiveness for four prior fiscal years and two ensuing fiscal years. This bill also eliminates program size indicator information and requires the inclusion of budget journal details for each NGF report.

During its 2021 Session, the Legislature passed Act 87, SLH 2021, to revise the due date of the annual NGF reports to the Legislature from 20 days prior to the convening of the Legislature to October 1st and require that the reports include various program measures and budget details by cost element and NGF names and account codes for each item or object code.

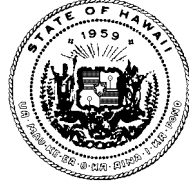
B&F believes the different due dates for the Executive Budget Documents (30 days prior to the convening of the Legislature, usually mid to late December) and the NGF reports due October 1st result in information that is inconsistent. We believe the

NGF reports should be prepared along with the Executive Budget Documents so both reflect coordinated and consistent NGF information, including ceiling increases or decreases, performance measures, etc. Since the Governor's budget is due 30 days prior to the convening of the Legislature, we request the Committee consider a similar due date for NGF reports.

Completion of the NGF reports is somewhat cumbersome because it is not produced on a dedicated electronic system. Almost 1,300 NGF reports were transmitted to the 2021 Legislature and, currently, data for each NGF report is manually inputted onto several Microsoft Excel templates. In addition, this bill proposes reporting of budget journal details for each NGF, which the State's electronic budget system is unable to provide. Accordingly, we request the Committee consider scaling back or at a minimum, delay adding more NGF reporting requirements. It is hoped that the implementation of the new Financial Management System that is currently under development will be able to help address some future reporting requirements.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 22, 2022

TO: The Honorable Representative Sylvia Luke, Chair
House Committee on Finance

FROM: Cathy Betts, Director

SUBJECT: **HB 1996 - RELATING TO NON-GENERAL FUND REPORTS.**

Hearing: February 23, 2022, 2:00 p.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) provides comments and requests amendments. The Department defers to the Department of Budget & Finance (BUF) and other impacted departments.

PURPOSE: The purpose of this measure is to amend the contents required to be submitted in each annual non-general fund program measures report and non-general fund cost element report.

The Department respectfully requests that the reporting deadlines be changed from October 1 to a later date as DHS is addressing the demands of the end of the federal fiscal year on September 30.

Regarding section 2, adding "journal" to section 37-49(1), HRS, BUF administers these budget journals and already provides them to the Legislature. It will take a considerable amount of time and administrative resources for DHS staff to match relevant non-general fund costs out of the budget journal associated with particular program IDs. The current analysis is that the match will need to be compiled manually with the different budget systems. DHS is

examining whether a technical solution is available and will update the Legislature with the necessary resources needed to make system modifications if any.

Thank you for the opportunity to provide testimony on this measure.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 02/23/2022

Time: 02:00 PM

Location: 308 Via Videoconference

Committee: House Finance

Department: Education

Person Testifying: Keith T. Hayashi, Interim Superintendent of Education

Title of Bill: HB 1996 RELATING TO NON-GENERAL FUND REPORTS.

Purpose of Bill: Amends the contents required to be submitted in each annual nongeneral fund program measures report and non-general fund cost element report.

Department's Position:

The Hawaii State Department of Education (Department) appreciates the opportunity to provide testimony with comments and concerns on HB 1996 relating to non-general funds report.

The bill proposes to amend Section §37-48 and Section §37-49, Hawaii Revised Statutes (HRS).

The Department understands the bill's intent to clarify certain non-general reporting requirements initially enacted by Act 87, Session Laws of Hawaii 2021; however, the Department's concerns include:

- Sections §37-48 and §37-49, HRS, as amended in the 2021 Legislature, require all departments to submit additional non-general funds reports containing similar information already required by sections §37-69 and §37-75, HRS. All state executive branch offices currently submit their information through the data systems hosted by the Department of Budget and Finance. This system allows the state to collect and distribute reports in an organized and efficient manner. The Department of Budget and Finance has developed a comprehensive process to communicate deadlines for reporting and a system of communications to all departments on deadlines and other submission instructions. Information collected is compiled into a single report which is presented to the Legislature each year 30 days prior to the start of the legislative session.

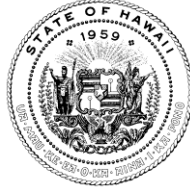
- Additionally, the annual submission date of October 1 does not coincide with the Governor's budget submission dates to the legislature which could lead to misinterpretations if the special funds were reviewed separately and then combined later for the entire budget.
- Finally, as resources for state level administration diminishes, increasing demands for more reports jeopardizes the accuracy of information being requested in a shorter time frame.

The Department respectfully asks the legislature to recognize the challenges of having multiple fund balance and variance reporting requirements and respectfully requests, for efficiency purposes, to consolidate reporting requirements within the existing Department of Budget and Finance's annual budget instructions to all state departments.

The Department of Budget and Finance has been providing budget instructions, including fund balance and variance reports, for decades. These instructions are provided to all state executive branch departments and contain detailed instructions, guidance, coordinated deadlines, and standardized reporting formats.

Lastly, the Department asks for considerations on providing funding resources to allow the Department of Budget and Finance to improve its existing variance report data system (eVariance) to accommodate these new non-general fund requirements, which will help to reduce duplicative efforts by each state agency and reduce additional administrative burdens as each office designs their own systems to address the additional tasks. Better reporting can be done efficiently when resources for systems improvements are provided so that there is less reliance on increasing staffing costs or decreasing existing production due to a lack of technological advancements.

Thank you for the opportunity to provide testimony on this measure.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Wednesday, February 23, 2022
2:00 p.m.
Via Videoconference**

**On the following measure:
H.B. 1996, RELATING TO NON-GENERAL FUND REPORTS**

Chair Luke and Members of the Committee:

My name is Lynn Murakami, and I am the Acting Business Management Officer of the Department of Commerce and Consumer Affairs' (Department) Administrative Services Office. The Department appreciates the intent and offers comments on this bill.

The purpose of this bill is to amend the contents required to be submitted in the annual non-general fund program measures report and non-general fund cost element report.

Section 1 of the bill would change the requirements of the non-general fund program measures report to distinguish between the target population served and the target population to be served. The Department appreciates the intent of the bill to clarify the nature of the target population but respectfully requests that such distinctions be removed from the bill. Generally, the distinction between the target population served and target population to be served is very slight, and such differences could be explained under the current statute as annual variances.

Section 1 of the bill would also change the way the non-general fund program measures report presents the level of program effectiveness from six years of planned metrics to four years of actual results with two years of estimated metrics. The Department appreciates the intent of the bill to distinguish between planned and actual results, and supports the change in report presentation. The distinction between planned and actual results is meaningful even when the difference is slight and should help to guide future program plans.

Section 2 of the bill would require the addition of budget journal details to the non-general fund cost elements report. The Department appreciates the intent of the bill to improve understanding of the program budget but respectfully requests that the budget journal details be removed from the bill. Under the statute, budget details by cost elements are required and provides sufficient budget information without the need to add budget journal details which should be left to the discretion of the Department.

Thank you for the opportunity to testify on this bill.



JADE T. BUTAY
DIRECTOR

Deputy Directors
ROSS M. HIGASHI
EDUARDO P. MANGLALLAN
PATRICK H. MCCAIN
EDWIN H. SNIFFEN

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 23, 2022
2:00 P.M.
State Capitol, Room 308, Via Videoconference

H.B. 1996
RELATING TO NON-GENERAL FUND REPORTS

House Committee on Finance

The Department of Transportation (DOT) offers **comments** to this bill, which amends the contents required to be submitted in each annual non-general fund (NGF) reports, including program measures report and non-general fund cost element report.

The Legislature passed Act 87, SLH 2021, to revise the due date of the annual non-general fund reports to the Legislature from 20 days prior to the convening of the Legislature to October 1st and require that the reports include various program measures and budget details by cost element and NGF names and account codes for each item or object code. On the other hand, the Executive Budget Documents (usually submitted mid to late December, 30 days prior to the convening of the Legislature) and the NGF reports due Oct. 1st result in inconsistent information. We request the Committee to consider a similar due date for submitting the Executive Budget and NGF reports, so both reflect continual and reliable information.

Thank you for the opportunity to provide testimony.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Amend Non-General Fund Reporting

BILL NUMBER: HB 1996

INTRODUCED BY: LUKE

EXECUTIVE SUMMARY: Amends the contents required to be submitted in each annual non-general fund program measures report and non-general fund cost element report.

SYNOPSIS: Amends section 37-48, HRS, to require an agency to report for each non-general fund under its control: (1) a statement of its objectives; (2) a summary identifying and quantifying the target population: (A) Served for each of the four prior fiscal years; and (B) To be served in each of the ensuing two fiscal years; (3) Measures by which the effectiveness of serving the target population and attaining the objectives is to be assessed; (4) The level of effectiveness achieved in the four prior fiscal years and planned for each of the ensuing two fiscal years; and (5) A description of the activities encompassed.

Makes a technical amendment to section 37-49, HRS.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This appears to be technical amendments to the law requiring agencies to report information on the non-general funds under their control. We are hopeful that the new version of this law would facilitate reporting by those agencies that have not previously done so.

Digested: 2/20/2022