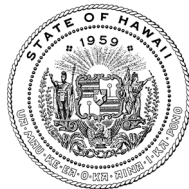


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TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 291, S.D. 2, H.D. 1

**March 31, 2023**  
**3:00 p.m.**  
**Room 308 and Videoconference**

RELATING TO BUDGET-RELATED REPORTS

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

Senate Bill No. 291, S.D. 2, H.D. 1, proposes to amend Section 37-70, HRS, Program Memoranda, and Section 37-75, HRS, Variance Report, to require the Governor to ensure that the Program Memoranda and Variance Report reflect the current responsibilities of State programs, address the current and future needs of the State, and align with budget-related submittals. The bill has an effective date of June 30, 3000 to allow further discussion.

The current process to produce the Program Memoranda involves updating the previous submittal to include the statutory requirements and reflect the proposed Biennium Budget submitted to the Legislature pursuant to Section 37-71, HRS, The Budget. The Variance Report, however, is a program performance report that reflects budget execution, not budget preparation, and includes data for the last completed fiscal year and the ongoing fiscal year.

The intent of the Variance Report is to show the difference between the planned performance of a program at its highest level (e.g., economic development,

employment, etc.) through its lowest program ID level. Performance is measured by comparing planned data for program expenditures and measures of effectiveness (MOE), target groups, and program activities developed for the Program Structure for the Executive Biennium Budget proposed pursuant to Section 37-71, HRS, The Budget, to actual data for the prior fiscal year and planned data in the current fiscal year.

As required by statute, the Variance Report is produced every year; thus, every other year, it covers two fiscal years from different biennium. For example, the Variance Report to be submitted to the Legislature in December 2023 will include the actual expenditures for FY 23 (FB 2021-23 Executive Budget from Act 88, SLH 2021, as amended by Act 248, SLH 2022) and the first quarter of FY 24, along with proposed expenditures for the remainder of FY 24. It will also compare data for the planned MOE, target groups, and program activities developed for the proposed FB 2023-25 Executive Biennium Budget versus actual data for FY 23 and planned data for FY 24.

The comparison between the initial planned data and actual (prior fiscal year) and planned (current fiscal year) data produces the variances; significant variances must be explained in the narratives. For the most current MOE, target groups, and program activities, the planned and estimated data for current fiscal year should be referenced.

As such, updating the program size indicators and effectiveness measures to address current and future needs of the State, as proposed by this bill, would eliminate variances. However, please note that the Executive Budget already contains updated program size indicators and effectiveness measures for the respective biennium and planning period that reflect the budget submittal.

In relation to the alignment of the Variance Report to the budget submittals under Sections 37-71 and 37-72, HRS, for example, in December 2022, the Executive Biennium Budget for FB 2023-25 (FY 24 and FY 25) was submitted to the Legislature along with the Variance Report for FY 22 and FY 23. In December 2023, the Supplemental Budget for FY 25 will be submitted, along with the Variance Report for FY 23 and FY 24. Thus, the Executive and Supplemental Budget submittals made pursuant to Sections 37-71 and 37-72, HRS, generally do not align to the Variance Report by fiscal year, although they are submitted to the Legislature at the same time.

Both the Program Memoranda and the Variance Report are compiled using reports that must be generated off the State's mainframe and B&F's budget eSystems; thus, changes to these reports may require substantial amounts of time to reprogram.

Thank you for your consideration of our comments.